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Supreme Court, U.S.
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In the

Supreme Court of the United States

QUICK TECHNOLOGIES, INC.,

Petitioner,

v.

THE SAGE GROUP PLC and, SAGE US HOLDINGS, INC.

and

SAGE SOFTWARE, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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151 pp

QUESTIONS PRESENTED FOR REVIEW

Petitioner Quick Technologies, Inc. (QTI), a small Texas software company, owns the trademark SAGE. Respondents, members of a large international conglomerate, were found to infringe QTI's trademark and advertised it extensively, thereby causing QTI's customers to believe QTI was affiliated with Respondents. Such a situation is the opposite of a typical trademark infringement and is known as reverse confusion. QTI seeks review of a decision of the Fifth Circuit holding that jury instructions on damages were in error and prevented the jury from properly determining damages, but affirming without remand, a judgment of infringement with no award of damages. The decision of the Fifth Circuit did not address the reverse confusion nature of the case. This Court has never ruled on a trademark case involving reverse confusion.

1. Was Petitioner denied its right to a trial by jury in contravention of the Seventh Amendment as applied by this Court in *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962) by the Fifth Circuit's affirmance, on equitable grounds, of judgment without damages when there was no jury finding on damages because of erroneous jury instructions?

2. Did the Fifth Circuit err by adopting a standard for the award of infringer's profits as damages that requires proof of factors not contained in the Lanham Act, as amended by the Anti-Dilution Act; is at odds with rulings by other Circuits; and that, in the name of *equity*, encourages intentional infringement by eliminating the ability

of trademark owners to obtain damages for reverse confusion?

LISTING OF PARTIES AND CORPORATE DISCLOSURE STATEMENT

The undersigned counsel of record certifies that the following are the parties to this matter.

PETITIONER

Plaintiff Quick Technologies, Inc.
1850 Empire Central
Dallas, TX 75235

There is no parent or publicly held company owning 10% or more of Quick Technologies, Inc.'s stock.

RESPONDENTS

Best U.S. Holdings, Inc., f.k.a. Sage U.S. Holding, Inc.
17950 Preston Rd.
Suite 800
Dallas, TX 75252

Best Software, Inc., f.k.a. Sage Software, Inc.
56 Technology Dr.
Irvine, CA 92618

The Sage Group PLC,
Sage House
Benton Park Rd
Newcastle Upon Tyne
NE7 7LZ

TABLE OF CONTENTS

QUESTIONS PRESENTED i
PARTIES TO THE PROCEEDINGS ii
TABLE OF CONTENTS iv
TABLE OF AUTHORITIES v
OPINIONS BELOW 1
JURISDICTION 2
STATUTORY PROVISIONS 2
STATEMENT OF THE CASE 3
REASONS FOR GRANTING THE WRIT 8
CONCLUSION 20
APPENDIX
CIRCUIT COURT OPINION 1a
DISTRICT COURT JUDGMENT 21a
CHARGE TO THE JURY 23a
ORDER DENYING REHEARING 43a
FINAL JUDGMENT FOR THE DISTRICT COURT 44a
COURT'S CHARGE TO THE JURY 46a
ORDER DENYING REHEARING 66a
PERMANENT INJUNCTION 67a
PERMANENT INJUNCTION 70a
NOTICE OF OPPOSITION 73a
TRANSCRIPT EXCERPTS 76a

TABLE OF AUTHORITIES

CASES

ADRAY V. ADRY-MART, INC., 76 F.3D 984, 988 (9TH CIR. 1995) 24

BABITT ELECTRONICS, INC. V. DYNASCAN CORP., 38 F.3D 1161, 1182 (11TH CIR. 1994) 24

BANFF, LTD. V. COLBERTS, INC., ET AL., 996 F.2D 33, 35 (2D CIR. 1993), CERT DENIED 510 U.S. 1010 (1993) 24

BIG O TIRE DEALERS V. GOODYEAR TIRE & RUBBER, 561 F.2D 1365 (10TH CIR. 1977) 18

CHAMPION SPARK PLUG CO. V. SANDERS, 331 U.S. 125 (1947) 23

DAIRY QUEEN, INC. V. WOOD, 369 U.S. 469, 477-478 (1962) 5, 6, 9, 11

FIRST SAVINGS BANK, F.S.B. V. U.S. BANK NAT'L ASS'N, 117 F.SUPP. 2D 1078, 1088 (D. KAN. 2000) 20, 21

HARD ROCK CAFÉ INT'L, INC. V. TEXAS PIG STANDS, INC., 951 F.2D 684, 694 (5TH CIR. 1992) 12, 13, 15

IDEAL WORLD MARKETING, INC. V. DURACELL, INC., 997 F. SUPP. 334, 339 (E.D.NY, 1998) 10, 11, 12

LURZER GMBH V. AMERICAN SHOWCASE, INC., 75 F. SUPP.2D 98, 105 (S.D.N.Y. 1998) 13, 17

MALTINA CORP. V. BOTTLING CO., 613 F.2D 582, 585 (5TH CIR. 1980) 21, 22

MINNESOTA PET BREEDERS, INC. V. SCHELL & KAMPETER, INC., 41 F.3D 1242, 1247 (8TH CIR. 1994) 24

MOORE BUSINESS FORMS, INC. V. RYU, 960 F.2D 486, 491 (5TH CIR. 1992) 21

MOSELEY V. VICTORIA'S SECRET, 123 S.CT 1115 (2003) 8

OXFORD INDUSTRIES, INC. V. HARTMARX CORP., 15 U.S.P.Q.2D 1648, *24 (N.D. ILL, 1990) 10, 11, 12

READER'S DIGEST ASS'N, INC. V. CONSERVATIVE DIGEST, INC., ET AL., 821 F.2D 800, 807 (D.C. CIR. 1987) 24

RODRIGUEZ V. UNITED STATES, 480 U.S. 522, 525 (1987) 23

ROLEX WATCH USA, INC. V. MEECE, 158 F.3D 816 (5TH CIR. 1998) 9

ROULO V. RUSS & CO., INC., 886 F.2D 931, 941 (7TH CIR. 1989), CERT DENIED 493 U.S. 1075 (1990) 7, 25

SANDS, TAYLOR & WOOD CO. V. THE QUAKER OATS CO., 978 F.2D 947, 961 (7TH CIR. 1992), CERT. DENIED 507 U.S. 1042 (1993) 20, 24

SEATRAX, INC. V. SONBECK INTL'L, INC. 200 F.3D 358 (5TH CIR. 2000) 9

SECURACOMM CONSULTING, INC. V. SECURACOM INC., 166 F.3D 182, 190 (3RD CIR. 1999) 7, 21, 24

VALMOR PROD. CO. V. STANDARD PRODUCTS CORP., 464 F.2D 200, 204 (1ST CIR. 1972) 24

WEINER KING, INC., V. THE WIENER KING CORPORATION, 615 F.2D 512, 522 (C.C.P.A. 1980) 16

WYNN OIL CO. V. AMERICAN WAY SERVICE CORP., 943 F.2D 595 (6TH CIR. 1991) 24

STATUTES

15 U.S.C. §1111 2

15 U.S.C. §1114 ..... 1, 2

15 U.S.C. 1117(A) ..... PASSIM

15 U.S.C. §1125(A) 2

15 U.S.C. §1125(C) 2, 23

17 U.S.C. § 1117(A) 2, 23

28 U.S.C. §1254(1) 2

CITATIONS TO THE OPINIONS AND ORDERS

Quick Technologies, Inc. v. Sage Group, plc, et al, 313 F.3d 338 (5th Cir. 2002), *rehearing denied* (5th Cir. 2003)

Quick Technologies, Inc. v. Sage Group, plc et al, 3:98-CV-1218-M, U.S. Dist. Court, Northern District of Texas, Barbara M. Lynn, US District Judge.

JURISDICTIONAL STATEMENT

Petitioner Quick Technologies, Inc. ("Petitioner" or "QTI") filed suit against Defendants-Appellees Sage Group PLC ("Sage Group"), Sage U.S. Holdings, Inc. ("Sage U.S."), and Sage Software, Inc. ("Sage Software")[1] (collectively referred to as "Respondents") in the Northern District of Texas – Dallas Division asserting claims, *inter alia*, for trademark infringement and unfair competition through false designation of origin and false representations under the Lanham Act, 15 U.S.C. §§1114 and 1125. After entry of final judgment in favor of Petitioner and the entry of a permanent injunction prohibiting Respondents' use of the mark SAGE, Petitioner appealed certain issues to the U.S. Court of Appeals for the Fifth Circuit.

The Fifth Circuit rendered its opinion in this matter on December 9, 2002. After requesting and receiving an extension of time, Petitioner filed a Petition for Panel Rehearing with the Fifth Circuit. The Fifth Circuit denied the Petition for Panel Rehearing on January 20, 2003. The United States Supreme Court granted an extension of time to file a petition for a writ of certiorari on April 12, 2003, extending the time to file

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[1] The complaint against Sage Software was filed separately and later consolidated with the case against Sage Group and Sage U.S.

the petition to and including May 12, 2003.

The United States Supreme Court has jurisdiction over this appeal under 28 U.S.C. §1254(1).

STATUTORY PROVISIONS INVOLVED

17 U.S.C. § 1117(a)

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a), (c), or (d) [*15 U.S.C. §1125*(a), (c), or (d)], or a willful violation under section 43(c) [*15 U.S.C. §1125*(c)], shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of section 29 and 32 [*15 U.S.C. §§1111, 1114*], and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

U.S. Constitution, 7th Amendment

In suits at common law, where the value in controversy shall exceed twenty dollars, the right to trial

by jury shall be preserved, and no fact tried by a jury shall otherwise be re-examined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

Plaintiff Quick Technologies, Inc. is the first user of the mark SAGE for business software. Defendant Sage Group plc sought to use SAGE as its international umbrella brand, but had no use of SAGE in the United States prior to Petitioner's use. Before using the SAGE trademark in the United States, Sage Group conducted a trademark search and discovered Petitioner's mark and trademark application pending in the U.S. Patent and Trademark Office. Sage Group unsuccessfully negotiated with Petitioner for a coexistence agreement and also asserted that infringement would occur between the party's products when both used the mark SAGE. No agreement was reached between Petitioner and Sage Group.

Unable to convince Petitioner to limit its rights by agreement, Sage Group then attempted to prevent Petitioner from obtaining its trademark registration by filing a Notice of Opposition in the U.S. Patent and Trademark Office ("PTO") opposing the registration of SAGE INFORMATION SYSTEM. In its Notice of Opposition, Sage Group asserted prior use of the mark in the United States and that infringement would occur if both parties used SAGE. The Notice of Opposition establishes unequivocally that Sage Group knew about Petitioner's SAGE trademark and knew that simultaneous use of SAGE by both parties would result

in infringement[2]. Because Sage Group did not have prior use in the United States, it ultimately elected not to proceed with its opposition and Petitioner obtained a federal trademark registration for its SAGE INFORMATION SYSTEM mark.

Nevertheless, Sage Group proceeded to instruct its U.S. subsidiary, Sage U.S., to adopt SAGE as the subsidiary's umbrella brand for all products. At the time, Petitioner had annual revenue of approximately one million dollars, while Sage Group had world-wide annual revenue in the hundreds of millions or more. After QTI filed its first trademark infringement suit, Sage Group purchased another United States-based software company, and despite the pending lawsuit and its prior statements acknowledging the inevitability of infringement, Sage Group ordered that its new subsidiary's products be re-branded with the SAGE trademark as well.

Petitioner's action against Sage U.S. and Sage Software proceeded to a jury trial. QTI presented evidence of numerous instances where QTI's customer's and potential customers were confused regarding whether QTI was affiliated with Respondents (i.e., there was proof of actual reverse confusion). Accordingly, the jury found Respondents' use of SAGE as its brand name infringed Petitioner's SAGE trademark. In cases involving reverse confusion there is by definition no "specific intent to cause the likelihood of consumer confusion." Nevertheless, the District Court, over Petitioner's objection, conditioned a finding of profits

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[2] Sage Group's Notice of Opposition asserts a likelihood of confusion between the parties' good and services when both of them use SAGE. If correct, the later user of the mark will be infringing the earlier user's rights. The Notice of Opposition, of course, asserts that Petitioner is the infringer. When Sage Group couldn't prove prior rights, it couldn't use SAGE without knowingly infringing Petitioner's rights.

on a finding of "a specific intent to cause the likelihood of consumer confusion," which was the court's definition of willfulness. Constrained by this strict definition, the jury did not find willfulness. Consequently, under the District Court's erroneous instructions the jury was not permitted to, and in fact did not, make any finding regarding damages based on Respondents' profits attributable to infringement.

An injunction against Sage U.S. and Sage Software prohibiting their use of SAGE was issued and became effective on January 2, 2002. Respondents have now re-branded their products (in the United States only) under the name "BEST." Petitioner timely appealed to the Fifth Circuit seeking, *inter alia*, review of the District Court's damages-related rulings. The Fifth Circuit held that the jury instructions that prevented a finding on Respondents' profits were in error and articulated a multiple factor test that the jury should have applied. Nevertheless, despite erroneous jury instructions and no fact finding on damages by either the jury or court, the Fifth Circuit affirmed the judgment as within the proper exercise of the District Court's equitable discretion, even though the record is clear that no exercise of discretion occurred. Petitioner petitioned for a rehearing, pointing the Fifth Circuit's attention to this Court's holding in *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 477-478 (1962) that the jury must be permitted to find facts before equity can be exercised. The petition for rehearing was denied.

SUMMARY OF ARGUMENT

I. PETITIONER WAS DEPRIVED OF ITS RIGHT TO TRIAL BY JURY.

Petitioner was first deprived of its right to a trial by jury when the District Court gave the jury erroneous

instructions, and again when the Fifth Circuit found that the jury instructions used were erroneous and nevertheless affirmed the judgment without a remand, basing its affirmance on the conclusion that a denial of damages here was within the District Court's equitable discretion. *See Quick Technologies, Inc. v. Sage Group, plc, et al*, 313 F.3d 338, 350 (5th Cir. 2002), *rehearing denied* (5th Cir. 2003). Under the Seventh Amendment to the Constitution, Petitioner had a right to have a jury make a fact finding as to what amount of profits earned by Respondents were attributable to Respondents' infringement of Petitioner's trademark; consider any appropriate factors; and determine the amount of damages to award. This right was specifically articulated in *Dairy Queen, Inc. v. Wood, 369 U.S. 469, 477-478 (1962)*, which is directly on point. In *Dairy Queen*, this Court held that, in a trademark infringement case, the Seventh Amendment required that the fact finding by the jury regarding damages must precede the application of equity. *See id.* Further, the Lanham Act specifically authorizes damages to be found by a jury. The violation of Petitioner's constitutional right deprived it of compensation to which it was entitled for the knowing use of its trademark without its permission. Further, the record is clear that the "exercise of discretion" affirmed by the Fifth Circuit never happened. Thus, there was no equitable decision to affirm in any event.

II. THE FIFTH CIRCUIT ARTICULATED A STANDARD FOR THE AWARD OF DAMAGES NOT CONSISTENT WITH THE STATUTE AND AT ODDS WITH THE RULINGS OF OTHER CIRCUITS.

The Lanham Act provides that trademark owners may be awarded damages measured by their losses or infringer's profits attributable to infringement, subject to

the principles of equity. The application of the "principles of equity" in determining whether to award profits attributable to infringement under the Lanham Act varies significantly between the Circuits. The Seventh Circuit has held that when there is a finding of infringer's profits attributable to infringement, such profits are to be awarded without proof of additional factors such as willfulness. *See Roulo v. Russ & Co., Inc.*, 886 F.2d 931, 941 (7th Cir. 1989), *cert denied* 493 U.S. 1075 (1990). The Third Circuit holds that infringer's profits may not be awarded absent proof of willfulness. *See Securacomm Consulting, Inc. v. Securacom Inc.*, 166 F.3d 182, 190 (3rd Cir. 1999), *aff'd on reh'g* 224 F.3d 273 (3rd. Cir. 2000). Other circuits follow the Seventh Circuit, the Third Circuit, or have an intermediate standard. Here the Fifth Circuit held that many factors must be considered in determining whether infringer's profits should be awarded. The Fifth Circuit's factor-based approach is at odds with the statute and fails to encompass important equitable considerations. The standard articulated by the Fifth Circuit was used to categorically deny any recovery to Petitioner and reward Respondents for their infringement. Respondents were permitted to infringe Petitioner's trademark while retaining all profits attributable to infringement, even though Respondents had advance knowledge of Petitioner's rights and knew that infringement would be the result of their actions.

The different approaches by the various Circuits lead to significantly different applications of the law. That result makes this case particularly ripe for review because the Fifth Circuit used equitable principles to effectively deprive smaller trademark owners of meaningful rights against larger companies that chose to outspend them on advertising.

Further, this Court has not reviewed the Lanham Act damages statute since it was amended as part of the

implementation of the Anti-dilution Act. As part of that amendment, a provision for damages for violation of the Anti-Dilution Act was added. This portion of the Lanham Act explicitly conditions damages on a finding of willfulness, but Congress did not amend the other damages provisions in the Lanham Act to include a willfulness requirement. Whether a willfulness requirement or other specific criteria can nevertheless be inferred has not been decided by this Court. The interpretation of the Anti-Dilution Act was recently before this Court in *Moseley v. Victoria's Secret*, 123 S.Ct 1115 (2003). The damages section of the Lanham Act was mentioned briefly in *Mosley*, but the questions presented here were not addressed. This Court should issue a writ of *certiorari* to the Fifth Circuit to articulate the standards that should apply in determining and assessing damages including profits attributable to infringement in reverse confusion trademark actions.

ARGUMENT

I. PETITIONER WAS DEPRIVED OF ITS RIGHT TO A JURY TRIAL ON THE ISSUE OF RESPONDENTS' PROFITS UNDER 15 U.S.C. §1117(A)

A key issue on appeal to the Fifth Circuit in this case was whether it was error for the District Court to instruct the jury that a finding of willful trademark infringement was a prerequisite to an award of Respondents' profits under 15 U.S.C. §1117(a). On December 9, 2002, the Fifth Circuit issued its opinion in this case, holding that it was error for the District Court to instruct the jury that willful infringement is a prerequisite to, and the only factor to consider in, determining whether to award Respondents' profits. *See Quick Technologies*, 313 F.3d at 350. Rather, the Fifth Circuit held that in determining whether an award of a

defendant's profits under §1117(a) is appropriate, the jury must consider the factors outlined in *Pebble Beach Co.*, *Rolex Watch USA, Inc.*, and *Seatrax, Inc*[3]. *See Quick Technologies* 313 F.3d at 349. However, the Fifth Circuit went on to hold that, notwithstanding the error in the jury instruction, the District Court has wide discretion to apply the principles of equity when a claim for profits is made. The Fifth Circuit then held that in this case the District Court did not abuse its discretion when it declined to award profits to Petitioner in the final judgment. However, the record is clear that no exercise of discretion occurred. The District Court held that willfulness is an element and without a finding of willfulness no damages would be awarded. The Fifth Circuit held that this view of the law was in error. *See Quick Technologies* 313 F.3d at 350. Based on its unsupported view that an exercise of discretion had occurred, the Fifth Circuit affirmed the judgment, rather than remanding the case for a jury to make findings in accordance with the *Pebble Beach* factors.

A. THE FIFTH CIRCUIT'S FAILURE TO REMAND DEPRIVED PETITIONER OF ITS RIGHT TO A JURY TRIAL ON THE ISSUE OF PROFITS

Petitioner is entitled to a jury finding on the issue of Respondents' profits attributable to infringement. *See Dairy Queen, Inc. v. Wood*, 369 U.S. at 477-478 (finding "Constitutional right to trial by jury" on issue of accounting in trademark infringement case). The right to a jury trial on this issue is supported both by the language of the Lanham Act and case law.

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[3] *See Pebble Beach*, 155 F.3d 526; *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816 (5th Cir. 1998); *Seatrax, Inc. v. Sonbeck Int'l, Inc.* 200 F.3d 358 (5th Cir. 2000).

1. The Lanham Act Supports Petitioner's Right to a Trial by Jury.

With respect to an award of an infringer's profits, §1117(a) of the Lanham Act provides that the "court shall assess such profits and damages or cause the same to be assessed under its direction." 15 U.S.C. §1117(a); *see also Ideal World Marketing, Inc. v. Duracell, Inc.*, 997 F. Supp. 334, 339 (E.D.NY, 1998) ("the language of §1117(a) also suggests strongly that, like damages, the actual calculation of profits should be made by the jury"). This statutory provision provides that either the District Court, in the case of a bench trial, or the jury, under the District Court's instructions in a jury trial, shall assess the amount of the infringer's profits to be recovered by the trademark owner. Other aspects of the statutory language of §1117 further support the right to a jury trial for an assessment of profits. For instance, the infringer's profits are included in §1117 along with damages, which are unquestionably legal in nature, rather than being included in §1116 authorizing injunctions, which are unquestionably equitable in nature. This indicates that Congress intended an award of profits to be more akin to the legal remedy of damages than the equitable remedy of an injunction. *See Oxford Industries, Inc. v. Hartmarx Corp.*, 15 U.S.P.Q.2d 1648, *24 (N.D. Ill, 1990). Therefore, if a demand for a jury trial is made, the initial amount of the infringer's profits attributable to the infringement should be submitted to the jury for decision.

2. Case Law Supports Petitioners Right to Trial by Jury.

The interpretation of the plain meaning of §1117(a) as conferring the right to a jury trial on the issue of an infringer's profits is further supported by

precedent from this Court. This Court has held that a claim for money damages for trademark infringement is subject to the Seventh Amendment's guarantee of a right to a trial by jury, regardless of the name used to describe the claim. *See Dairy Queen*, 369 U.S. at 477-478 (finding right to jury trial on issue of accounting in trademark infringement case: "the constitutional right to trial by jury cannot be made to depend upon the choice of words used in the pleadings"); *see also Oxford Indus.*, 15 U.S.P.Q.2d at *25 (*Dairy Queen* entitles trademark owner to jury trial on issue of an infringer's profits under 15 U.S.C. §1117); *Ideal World*, 997 F. Supp. at 338 (the determination of profits under 15 U.S.C. §1117(a) is a matter to be submitted to the jury). *Dairy Queen* holds that when there are mixed issues of law and equity, and there is a right to a jury trial on the legal portion, the court cannot resolve, as a matter of equity an issue that should be submitted to the jury. The jury must be allowed to make its findings first and then equity is bound by those findings. 369 U.S. at 479. The Fifth Circuit did the opposite: applied equity to preclude fact findings by a jury.

The finding of a right to a jury trial on this issue is based on the nature of the rights asserted. Historically, trademark rights were legal rights and a claim for disgorgement of profits was not an independent basis for equitable jurisdiction unless the case involved special circumstances, such as a case of mutual accounts or the accounts being too complicated for the jury to resolve. *See Dairy Queen*, 369 U.S. at 478; *Oxford*, 15 U.S.P.Q.2d at *21. Therefore, a claim for an infringer's profits based on trademark infringement, in cases such as this one where the accounts are not so complicated as to require the court to resolve them, invokes the right to a jury trial.

The Fifth Circuit has also recognized the right to a jury trial on the issue of profits under §1117(a). In

Texas Pig Stands, the Fifth Circuit held that a District Court cannot throw out a jury finding on profits without applying the standards for granting judgment as a matter of law. *See Hard Rock Café Int'l, Inc. v. Texas Pig Stands, Inc.*, 951 F.2d 684, 694 (5th Cir. 1992), *citing Oxford*, 15 U.S.P.Q.2d at 1655. If a finding of profits under §1117(a) were not subject to the right of trial by jury, but the jury's findings were merely advisory, there would be no need for the District Court to apply the standards for granting judgment as a matter of law in order to disregard the jury's findings.

The fact that an award of profits under §1117(a) is "subject to the principles of equity" does not alter the nature of the claim as one for a money judgment, invoking the right to a jury trial. An award of damages under §1117(a) is also subject to the principles of equity. *See* 15 U.S.C. §1117(a); *see also Ideal World*, 997 F. Supp. at 339. Nor does the fact that the District Court has the discretion to adjust an award of profits, if under the circumstances of the case, the jury's award is found to be inadequate or excessive, undermine the right to a jury trial on the initial assessment of profits. *See* 15 U.S.C. §1117(a).

3. The Fact that the District Court May Apply Equity to a Jury Award Doesn't Abrogate Petitioner's Right to Have a Jury Make a Finding First.

Petitioner recognizes that the District Court has discretion to apply the principles of equity to adjust an award of profits once the jury has actually made a finding on the amount of profits attributable to the infringement. However, Congress did not intend that discretion to be unfettered. If Congress had intended to allow a court to completely disregard a jury's finding or lack thereof on the issue of profits, then Congress

simply would have excluded the issue from the jury in §1117(a). It did not. Congress plainly made the initial assessment of profits a jury function. Moreover, Congress specifically stated that the District Court has discretion to adjust the jury's finding to a sum that is "just, according to the circumstances of the case." 15 U.S.C. §1117(a). Any exercise of the District Court's discretion that completely disregards the jury's findings and role as fact-finder, without applying the standards for judgment as a matter of law, cannot be "just" and must be an abuse of discretion. *See Lurzer GMBH v. American Showcase, Inc.*, 75 F. Supp.2d 98, 105 (S.D.N.Y. 1998) ("While vacating the [jury's] award altogether would go too far and *deprive the jury's verdict of the reasonable deference that it its [sic] due*, a fifty percent reduction will produce a result far more in keeping with both the equities of the case and with a fair approximation of net profits.") (emphasis added); *see also Texas Pig Stands* 951 F.2d at 694. Therefore, the jury's finding on the issue of profits is entitled to deference and cannot simply be thrown out by the District Court in the exercise of its discretion without applying the standards for granting judgment as a matter of law.

4. The Fifth Circuit's Failure to Remand Denied Petitioner's Right to Trial by Jury.

In this case, Petitioner timely demanded a jury trial and the issue of profits was submitted to the jury under the District Court's instructions. Respondents never objected to the submission of this issue to the jury. The District Court instructed the jury that if it "found that [Respondents'] infringement, if any, was willful you may award [Petitioner] the profits earned by the [Respondents] from the infringing activity." (Record, p. 1878). The jury was further instructed that:

> If you answered Question No. 3 [regarding willfulness] as to one or both of the Defendants, then answer the following question [regarding profits] as to each Defendant. **Otherwise, do not answer the following Question**:
>
> Question No. 4:
>
> State the damages, if any, you award [Petitioner] by reason of the profits made by Defendants from the sale of software products since each Defendant began using SAGE in commerce.

(Record, p. 1879) (emphasis added). Therefore, if, and only if, the jury found willfulness, was the jury permitted to assess the profits attributable to Defendants' infringement by the District Court's instructions. Under the standard of willfulness provided by the District Court, the jury did not find that Defendants' infringement was willful. Therefore, in accordance with the District Court's instructions, the jury never reached the issue or made any finding of the amount of profits attributable to infringement and/or the profits to be awarded. The jury in this case did not assess the amount of profits attributable to Defendants' infringement as zero or none. Rather, the jury simply left this answer blank, not having made any finding based on the District Court's erroneous instruction regarding the willfulness prerequisite. (Record, p. 1879).

The Fifth Circuit held that the District Court's instruction that willfulness is a prerequisite to an award of profits in this case was error. *See Quick Technologies*, 313 F.3d at 350. The legally correct result of that determination should have been a remand to the District Court for a jury finding of profits attributable to infringement. Instead, citing to the facts of *Texas Pig Stands*, the Fifth Circuit affirmed the District Court's

entry of final judgment of no damages based on its holding that there was no abuse of discretion by the District Court.[4] *See id.* Petitioner is entitled to a jury determination on these issues prior to any exercise of the District Court's discretion under §1117(a) and Petitioner is also entitled to have the District Court exercise its discretion under §1117(a) utilizing the correct legal standard as determined by the Fifth Circuit, prior to the Fifth Circuit's review of such discretion. The District Court's erroneous instruction and the Fifth Circuit's affirmance have denied Petitioner of its right to a jury trial on the issue of Defendants' profits and its right to have the District Court properly apply equity under §1117(a).

B. THE FIFTH CIRCUIT'S FAILURE TO REMAND DEPRIVED PETITIONER OF ITS RIGHT TO HAVE THE DISTRICT COURT APPLY THE PRINCIPLES OF EQUITY UNDER §1117(A)

Alternatively, the Fifth Circuit's holding that there was no abuse of discretion in the final judgment is in error because there simply was no exercise of the

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[4] However, the Fifth Circuit's analogy of the facts of this case to those in *Texas Pig Stands* does not withstand analysis. In *Texas Pig Stands*, the jury actually made a finding of the amount of defendant's profits attributable to infringement, a finding that was ultimately rejected under JMOL standards by the District Court. *See Texas Pig Stands*, 951 F.2d at 687 and 694-695. In this case, the District Court's erroneous jury instruction deprived Petitioner of its right to a jury finding on this issue and there was never any finding of an amount of Defendants' profits attributable to infringement. Therefore, it is inappropriate to analogize the entry of final judgment in this case, which did not involve any fact-finding or exercise of discretion, to the *Texas Pig Stands* case, in which there was a jury finding. Further, on the record in this case, under a judgment as a matter of law standard, the District Court could not have found there were no profits attributable to infringement. Record, pp. 2803-2872.

District Court's discretion for the Fifth Circuit to review. Section 1117(a) of the Lanham Act provides that the District Court, or the jury under the District Court's direction, shall assess the profits to which the trademark owner is entitled to recover and that "[i]f the *court shall find that the amount of the recovery* based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case." 15 U.S.C. §1117(a) (emphasis added). According to the statute, there must be a finding of an amount of the infringer's profits attributable to the infringement before the District Court can exercise its discretion to increase or decrease the amount found. Equity cannot be applied without a consideration of the underlying facts. *See Weiner King, Inc., v. The Wiener King Corporation*, 615 F.2d 512, 522 (C.C.P.A. 1980). (In considering the geographic rights of two users of "Weiner King," the court noted "It is said that nature abhors a vacuum. The same may be said of equity; it must operate in a factual environment."). There must be a finding of underlying facts before equity can be applied – whether those facts are found by the court or jury.

As previously discussed, Petitioner demanded a jury trial and the issue of profits was submitted to the jury under the District Court's erroneous instructions. Under the instructions provided by the District Court, the jury never reached the issue or made a finding of the amount of profits attributable to infringement and/or the amount of profits, if any, to be awarded. Consequently, there was never any finding of an amount of recovery over which the District Court could exercise its discretion to make an adjustment under §1117(a). Additionally, the District Court's entry of final judgment awarding no damages to Petitioner is not indicative of an exercise of discretion. Rather, the final judgment

merely indicates the District Court's belief, which was ultimately found to be erroneous by the Fifth Circuit, that willful infringement was a prerequisite to an award of profits and there being no finding of willfulness in this case, there was no finding of profits to be made. As the District Court never exercised its discretion, it was error for the Fifth Circuit to hold there was no abuse of discretion in the entry of final judgment, rather than remanding for a finding of profits attributable to infringement upon which the District Court could then exercise its discretion in applying the principles of equity.

An award of profits under §1117(a) is a two-step process, (1) the amount of profits is assessed, either by the court or by the jury under the court's instructions, and then (2) if an amount is found, the court weighs the equities of the case in determining whether to exercise its discretion to increase or decrease the amount assessed. In this case, the jury did not find that the amount of profits was zero – they left the damages interrogatory *blank*. (Record pp. 1878-1879) Under the statute, the court only gets to the point of exercising its discretion when profits have been found. In this case, as no amount was found by the jury, Judge Lynn never reached the point of exercising her discretion.

This is not a case where the jury found profits in a specific amount and the District Court discounted that amount down to zero. As discussed above, there was no occasion for an exercise of discretion in the case and no such exercise occurred here. Moreover, even if it had occurred, it would have been an abuse of discretion because there was no fact finding for the District Court to apply equity to. *See Lurzer*, 75 F. Supp.2d at 104-105 (where there was evidence that the plaintiff actually benefited from the infringement, District Court reduced jury finding of defendant's profits by half, stating that "vacating the award altogether would go too far and

deprive the jury's verdict of the reasonable deference that it its [sic] due"). Ultimately, any way the record is viewed, QTI was denied its right to trial by jury.

II. THE FIFTH CIRCUIT ERRED IN FINDING THAT THE SAME MULTIPLE FACTOR TEST SHOULD BE APPLIED TO ALL INFRINGEMENT CASES REGARDLESS OF THE NATURE OF THE INFRINGEMENT

This is a reverse confusion case. Most trademark cases deal with forward confusion – the situation where the trademark owner has an established reputation and consumers mistakenly believe that the second user has some connection to the trademark owner. In the ordinary case, the infringer may obtain increased business by "riding on the coattails" of the established business. In an ordinary case, the paramount concern is protecting the trademark owner from damage to their good will. The trademark owner is in no danger of actually losing their trademark in an ordinary trademark case.

In a reverse confusion case, the trademark owner, like Petitioner, is relatively small. The infringer is larger and has a larger advertising budget. The infringer may know of the existence of the trademark owner but proceeds anyway. As a consequence, consumers mistakenly believe that the trademark owner has a connection to the larger, better known infringer. In a reverse confusion case, the trademark owner must be protected from the complete loss of their trademark by having their reputation overwhelmed by the infringer's advertising. If the trademark cannot be effectively protected, the actual owner will be forced to change their trademark resulting in the trademark being taken by the infringer. *See Big O Tire Dealers v. Goodyear Tire & Rubber*, 561 F.2d 1365 (10th Cir. 1977)

(provides a description of a typical reverse confusion case).

Although, this is a reverse confusion case, the District Court instructed the jury that an award of Defendants' profits was contingent upon a finding of intent to cause consumer confusion, despite Petitioner's objections. The Fifth Circuit held that this instruction was erroneous, but found no error in the District Court's definition of willfulness. The Fifth Circuit declined to address the reverse confusion nature of the case, failing to note: Respondents' advance notice of Petitioner's rights; the fact that Respondent took the position that infringement would occur between the parties if they both used SAGE; the relative size of the parties; the number of instances of actual reverse confusion; and the amount of money spent on advertising by Respondents compared to the Petitioner.

Nevertheless, the Fifth Circuit held that the jury instructions were erroneous to the extent that they conditioned a finding on damages on a finding of willfulness alone. *See Quick Technologies*, 313 F.3d at 350. The Fifth Circuit also rejected a simple statutory construction that makes willfulness or other factors irrelevant to the question of whether infringer's profits attributable to infringement may be recovered as damages under the statute. Instead, the Fifth Circuit adopted the factor-based approach articulated in *Pebble Beach*. *See Pebble Beach*, 155 F.3d at 554. Although there was no jury in *Pebble Beach*, here the Fifth Circuit held that the *Pebble Beach* factors should have been submitted to the jury. *See Quick Technologies*, 313 F.3d at 349. Under *Pebble Beach*, there are two factors that are plainly relevant to this case – delay by the trademark owner and the need to deter improper conduct.[5] The

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[5] The other factors cited in Pebble Beach are inapplicable to a reverse confusion case: 1) Whether the defendant had the intent to confuse or deceive, 2) whether sales have been diverted, 3) the

Fifth Circuit's ruling effectively eliminates the ability for smaller companies to protect their trademarks from being raided by larger companies by treating reverse confusion and forward confusion cases the same.

A. REVERSE CONFUSION CASES MERIT A DIFFERENT STANDARD FOR WILLFULNESS THAN INSTRUCTED BY THE DISTRICT COURT

This case involves reverse confusion, where a larger Defendant adopts the mark of a smaller, lesser known plaintiff. In such cases, the defendant "by definition is not palming off or otherwise attempting to create confusion as to the source of his product." *Sands, Taylor & Wood Co. v. The Quaker Oats Co.*, 978 F.2d 947, 961 (7th Cir. 1992), *cert. denied* 507 U.S. 1042 (1993). In a forward confusion case, the harm is that the smaller Defendant misappropriates the good will of the larger Plaintiff. By contrast, in a reverse confusion case, the purpose of the larger Defendant is to take the mark itself, not the smaller Plaintiff's good will. If palming off, or a specific intent to cause consumer confusion – as required by the District Court in this case – were required, a finding of willfulness would be precluded in every case of reverse confusion. *See First Savings Bank, F.S.B. v. U.S. Bank Nat'l Ass'n*, 117 F.Supp. 2d 1078, 1088 (D. Kan. 2000), *rev'd in part, aff'd in part* 196 F.R.D. 608 (D. Kan 2000). The unique circumstances involved in reverse confusion cases demonstrate why a different standard of willfulness, other than a "specific intent to cause confusion" should be used. It would virtually never be the intent of someone in the position

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adequacy of other remedies and 4) whether it is a case of palming off. The Fifth Circuit's opinion could be read to hold that damages are never available for reverse confusion because these four factors will never be present and strong evidence of the other two will not support an award of profits.

of Defendants with respect to a lesser known plaintiff to palm off. Obviously it is possible, as here, for a defendant to intend to appropriate a plaintiff's mark without any intent to palm off. The Lanham Act was intended to prevent more than just palming off, but the District Court's definition effectively limits the protections of the Act to counterfeiting and palming off.

The definition for willfulness contained in the jury instructions and approved by the Fifth Circuit prevents a finding of willfulness in reverse confusion cases and is not consistent with the Lanham Act. In *Moore Business Forms*, the Fifth Circuit indicated that a finding of willfulness would be appropriate where a defendant had actual knowledge of the plaintiff's mark and decided to adopt the mark anyway. *See Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486, 491 (5th Cir. 1992), *reh'g denied*, 1992 U.S. App. Lexis 13929 (5th Cir. 1992). In *Maltina* the Fifth Circuit found willfulness based upon a defendant's decision to use a mark even though the USPTO refused to register that mark in light of plaintiff's registration. *See Maltina Corp. v. Bottling Co.*, 613 F.2d 582, 585 (5th Cir. 1980).

Similarly, other circuits have also recognized less stringent standards for willfulness than the specific intent to infringe required by the District Court in this case. For instance, willfulness has been defined as "a deliberate disregard of a mark holder's rights." *First Savings Bank*, 117 F.Supp.2d at 1088; *see also Securacomm*, 166 F.3d at 187.

The Fifth Circuit's comment on the willfulness standard evidences a lack of understanding of the issue presented. Petitioner asserts that willfulness, when it is considered, must include a situation, such as here, where the infringer is aware of the trademark and on notice that infringement is likely to occur if they adopt the mark for their own use, regardless of whether the infringer seeks to profit from the trademark owner's

good will or simply seeks to take the trademark for its own use. The two definitions indicated by the Fifth Circuit to be acceptable are on opposite sides of this issue.

Therefore, under the District Court's instructions, as modified and affirmed by the Fifth Circuit, there would never be any monetary damages in reverse confusion cases. Such a result is contrary to the plain language of the Lanham Act, the holdings in the Sixth and Seventh Circuits discussed above, and the Fifth Circuit's own holding in *Maltina*. *See Maltina*, 613 F.2d at 585. Further, the absolute impossibility of a recovery of damages in reverse confusion cases encourages infringement by large entities of the rights of smaller companies and thus effectively strips smaller companies of protection from infringement by large companies. It is clearly ironic that this result is said to be mandated by the principles of equity.

B. THE LANHAM ACT DOES NOT REQUIRE WILLFULNESS FOR AN AWARD OF INFRINGER'S PROFITS.

Not only were the District Court's jury instructions inapplicable to a reverse confusion case, they were at odds with the Lanham Act and the decisions of other Circuits. 15 U.S.C. 1117(a) provides for an award of damages for trademark infringement "subject to the principles of equity." Section 1117(a) was amended in 1999 to add a remedy for dilution of a famous mark. As part of that amendment, §1117(a) now permits the recovery of damages for willful dilution. When adding the willfulness requirement for a recovery of damages for dilution, Congress made no corresponding change to the trademark infringement provisions.

The plain language of the statute, therefore, does not permit willfulness to be a prerequisite for an award of infringer's profits. A basic canon of statutory construction is that "[w]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Rodriguez v. United States*, 480 U.S. 522, 525 (1987). Congress demonstrated in §1117 that it knew how to condition a damage award upon a finding of an enhanced *mens rea* because a willfulness *mens rea* requirement does exist for violations of section 43(c) [*15 U.S.C. §1125*(c)]. However, there is no explicit *mens rea* requirement with respect to violations under §1114 or §1125(a) or (d). The fact that Congress did not condition damages for these violations of the Lanham Act on willfulness is a clear indication that such a requirement was not intended.

C. THERE IS A SPLIT AMONG THE OTHER CIRCUITS REGARDING WHETHER A PARTICULAR *MENS REA* IS REQUIRED FOR AN AWARD OF DEFENDANTS' PROFITS UNDER §1117(A)

The absence of clear guidance on the application of the Lanham Act has led to significantly different standards being adopted by different circuits. Like this Court, most other circuits, including the First, Second, Third, Eighth, Ninth, Eleventh, and District of Columbia Circuits, have held that a finding of willfulness, bad faith, or deliberate infringement make an accounting of defendant's profits appropriate without expressly holding that a particular *mens rea* of willfulness is an element. *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947) (in a case involving the predecessor to

the Lanham Act, the Trademark Act of 1905, the Supreme Court held that an injunction was sufficient on the facts of that case to "satisfy the equities," affirming the district court's denial of an accounting because there was no showing of fraud or palming off, without expressly holding that fraud or palming off are a prerequisite to an accounting). *See also Valmor Prod. Co. v. Standard Products Corp.*, 464 F.2d 200, 204 (1st Cir. 1972); *Banff, Ltd. v. Colberts, Inc., et al.*, 996 F.2d 33, 35 (2d Cir. 1993), *cert denied* 510 U.S. 1010 (1993); *Securacomm* 166 F.3d at 190 ; *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994); *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988 (9th Cir. 1995); *Babitt Electronics, Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1182 (11th Cir. 1994); and *Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., et al.*, 821 F.2d 800, 807 (D.C. Cir. 1987).

In contrast and consistent with fundamental notions of statutory construction and property rights, the Sixth and Seventh Circuits have expressly noted the absence of a *mens rea* requirement in the statutory language of §1117(a) relating to defendants' profits. *See Wynn Oil Co. v. American Way Service Corp.*, 943 F.2d 595 (6th Cir. 1991) and *Sands*, 978 F.2d at 961, both *citing Ruolo v. Russ Berrie & Co.* The Seventh Circuit stated in *Ruolo*:

> The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity. As stated by this Court, "the trial court's primary function is to make violations of the Lanham Act unprofitable to the infringing party." Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer

> willfully infringe the trade dress to justify an award of profits. Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation.

Ruolo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989), *cert denied* 493 U.S. 1075 (1990) (citations in original omitted). The position of the Sixth and Seventh Circuits, that willfulness, or any other element of bad faith or intent on the part of the defendant, is not required for an award of profits under §1117(a) is most consistent with the plain language of the statute and should be expressly adopted by this Court. That is not to say that willfulness, bad faith, fraud, deliberate infringement, or other malicious conduct on the part of the defendant does not come into play in the consideration of the equities under §1117(a) in the exercise of the district court's discretion to increase or decrease the award of profits, just that it should not be a required element for a jury award as charged by the trial court in this case.

CONCLUSION

For the reasons stated herein, Petitioner respectfully requests a writ of certiorari issue to the Fifth Circuit and that the decision of the Fifth Circuit be reversed.

Respectfully submitted,

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(Any footnotes trail the end of each document.)
No. 01-11197

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

QUICK TECHNOLOGIES, INC.,
Plaintiff-Appellant,

v.

THE SAGE GROUP PLC and,
SAGE US HOLDINGS, INC.
Defendants-Appellees,

QUICK TECHNOLOGIES, INC.,
Plaintiff-Appellant,

v.

SAGE SOFTWARE, INC.,
Defendant-Appellee.

December 9, 2002, Decided

COUNSEL: For QUICK TECHNOLOGIES, INC, Plaintiff - Appellant: John W MacPete, Paul V Strom, Storm & Hemingway, Dallas, TX.

For SAGE GROUP, PLC, SAGE US HOLDINGS INC, SAGE SOFTWARE INC, Defendants - Appellees: Kenneth A Plevan, Scott Dawson Brown, Eleni M Roumel, Skadden, Arps, Slate, Meagher & Flom. New York, NY.

JUDGES: Before DeMOSS, STEWART, and DENNIS, Circuit Judges.

OPINIONBY: CARL E. STEWART

OPINION: CARL E. STEWART, Circuit Judge:

Quick Technologies, Inc. ("QTI") filed suit against The Sage Group plc ("Sage Group"), Sage U.S. Holdings, Inc. ("Holdings"), and Sage Software, Inc. ("Sage Software") (collectively "Defendants") for trademark infringement and unfair competition. Prior to trial, the district court dismissed QTI's claims against Sage Group for lack of personal jurisdiction. The district court further denied QTI's request to amend the pretrial order to add a corrective advertising claim. Ultimately, QTI prevailed at trial against Holdings and Sage Software on its trademark infringement claims and the district court entered permanent injunctions in QTI's favor. n1 QTI, however, did not prevail on its claim for an accounting of Holdings' and Sage Software's profits. QTI appeals.

FACTUAL AND PROCEDURAL BACKGROUND

QTI was formed in 1992 and initially provided online information about distributors in the promotional products industry (e.g. companies that imprint a business's logo onto coffee mugs, key chains, flashlights, etc.). QTI claims that by 1995, it had expanded its product offerings to include such things as "online databases, online supplier advertising and other databases and business software." QTI began using the mark SAGE INFORMATION SYSTEM in January 1992 and has been using a variety of marks which incorporate or use the word SAGE (e.g. SAGE, SAGE INFORMATION SYSTEM, SAGE-CD, SAGE-ONLINE, and SAGE-CATALOG LIBRARY) continuously since that time.

Sage Group is a public limited company organized under

the laws of England and Wales. Sage Group manufactures and sells software for accounting and business management purposes and its principal place of business is in England. On October 14, 1988, Sage Group received registration for the mark SAGE in the United Kingdom. Beginning in 1991, Sage Group, acting through Holdings, acquired several American companies that developed and sold accounting and business management software. By 1995, Sage Group began to consider whether the company should adopt an international brand name ar d ultimately adopted SAGE as such.

On May 17, 1995, QTI filed an application with the United States Patent and Trademark Office ("USPTO") to register the mark SAGE INFORMATION SYSTEM. This mark was published for opposition in 1996, at which time Sage Group claims it first learned of QTI's use of the SAGE INFORMATION SYSTEM mark. Negotiations began between Sage Group and QTI regarding use of the mark. These negotiations eventually broke down and Sage Group filed a Notice of Opposition to QTI's use of the SAGE INFORMATION SYSTEM mark with the USPTO.

On March 25, 1997, Sage Group filed an intent to use application for the mark SAGE with the USPTO. Sage Group claims that it abandoned this application on March 11, 2002. n2 In 1998, Holdings and Sage Software began using the SAGE mark in connection with their respective products. On May 22, 1998, QTI filed a lawsuit against Sage Group and Holdings alleging, among other things, trademark infringement. On April 22, 1999, QTI filed a similar suit against Sage Software and the cases were later consolidated into the instant case. On September 10, 1999, the district court granted a motion by Sage Group to dismiss the claims against it for lack of

personal jurisdiction.

This case was originally set for trial in November 2000. On November 9, 2000, the district court reviewed the parties' joint proposed Pretrial Order. Soon thereafter, the district court continued the case until April 2001. In January 2001, QTI retained new trial counsel. On April 2, 2001, QTI served Defendants with a proposed amended Pretrial Order seeking, among other things, to add a damages claim for corrective advertising. On April 11, 2001, the district court rejected QTI's new Proposed Pretrial Order and entered the joint pretrial order previously submitted to the court in November 2000.

The case was tried before a jury. In addition to instructing the jury on the likelihood of confusion issues, the district judge asked that the jury determine whether Holdings' and Sage Software's infringement was done willfully, i.e. "Has QTI proven . . . the Defendants intended to cause confusion, to cause mistake or to deceive?" The jury was further instructed that if it answered "yes" to the question of willful infringement, it was to "state the damages, if any you award QTI by reason of the profits made by the Defendants from the sale of software products since each Defendant began using SAGE in commerce." The jury returned a verdict for QTI on most of the likelihood of confusion issues but did not find that the Defendants' conduct was willful. Thus, the jury did not award an accounting of profits. The district court entered final judgment on May 30, 2001, stating that "having considered the verdict and the applicable authorities, the Court determined that permanent injunctive relief should be entered in favor of [QTI], but that no damages should be awarded."

DISCUSSION

QTI presents the following issues on appeal: (1) whether the district court erred in dismissing against Sage Group for lack of personal jurisdiction, (2) whether the district court abused its discretion in denying QTI's request to amend the Pretrial Order to add a new damages claim based on a theory of prospective corrective advertising, and (3) whether the district court erred in instructing the jury that QTI must prove that the Defendants' infringement was done willfully before it could award an accounting of profits under Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), and in instructing the jury that willfully means "to do an act voluntarily and intentionally and with the specific intent to cause the likelihood of consumer confusion." n3

I. Personal Jurisdiction

"The district court's determination of the exercise of personal jurisdiction over a defendant is a question of law subject to de novo review." Mink v. AAAA Dev. Corp., 190 F.3d 333, 335 (5th Cir. 1999). When personal jurisdiction is challenged, the plaintiff "bears the burden of establishing the district court's jurisdiction over the defendant." Id. When the district court rules on a motion to dismiss for lack of personal jurisdiction "without an evidentiary hearing, the plaintiff may bear his burden by presenting a prima facie case that personal jurisdiction is proper." Wilson v. Belin, 20 F.3d 644, 648 (5th Cir. 1994). In making its determination, the district court may consider the contents of the record before the court at the time of the motion, including "affidavits, interrogatories, depositions, oral testimony, or any combination of the recognized methods of discovery." Thompson v. Chrysler Motor Corp., 755 F.2d 1162, 1165 (5th Cir. 1985).

QTI contends that it presented a prima facie case for

specific jurisdiction under Federal Rule of Civil Procedure 4(k)(2). Rule 4(k)(2) states:

If the exercise of jurisdiction is consistent with the Constitution and laws of the United States, serving a summons or filing a waiver of service is also effective, with respect to claims arising under federal law, to establish personal jurisdiction over the person of any defendant who is not subject to the jurisdiction of the courts of general jurisdiction of any state.

"Rule 4(k)(2) thus sanctions personal jurisdiction over foreign defendants for claims arising under federal law when the defendant has sufficient contacts with the nation as a whole to justify the imposition of United States' law but without sufficient contacts to satisfy the due process concerns of the long-arm statute of any particular state." World Tanker Carriers Corp. v. M/V Ya Mawlaya, 99 F.3d 717, 720 (emphasis omitted). "The due process required in federal cases governed by Rule 4(k)(2) is measured with reference to the Fifth Amendment, rather than the Fourteenth Amendment." Submersible Sys., Inc. v. Perforadora Central, S.A., 249 F.3d 413, 420 (5th Cir. 2001). Furthermore, "specific jurisdiction over a nonresident corporation is appropriate when the corporation has purposefully directed its activities at the forum state and the litigation results from alleged injuries that arise out of or relate to those activities." Alpine View Co. v. Atlas Copco AB, 205 F.3d 208, 215 (5th Cir. 2000) (internal quotations omitted).

In this case, there is no dispute that QTI's trademark infringement claims arise under federal law and neither side has claimed that Sage Group is subject to the jurisdiction of the courts of any state. Thus, the only issue is whether exercise of jurisdiction is "consistent

with the Constitution and laws of the United States." FED. R. CIV. PRO. 4(k)(2). In order to determine whether the exercise of jurisdiction satisfies the Fifth Amendment, we must conduct the "now familiar minimum contacts analysis . . . to determine whether the assertion of personal jurisdiction would offend traditional notions of fair play and substantial justice." World Tanker Carriers Corp., 99 F.3d at 723 (internal citations omitted).

QTI contends that the following contacts with the United States establish grounds for specific jurisdiction over Sage Group: (1) Sage Group filed an opposition to QTI's trademark application with the USPTO in which it asserted its use of the SAGE mark in commerce in the United States, including in its U.S. marketing efforts; (2) Sage Group retained a U.S. attorney to file the opposition and to negotiate with QTI; (3) Sage Group filed an intent-to-use application with the USPTO; (4) Sage Group contacted U.S. companies concerning its international re-branding efforts, including one trip to the U.S. by its Business Development Director; (5) Sage Group operated a web site, www.sage.com, which provided information about Sage Group, as well as links to its U.S. subsidiaries; and (6) Sage Group used the SAGE mark in publications circulated in the U.S. and added the SAGE mark to "product advertisements, boxes and brochures" used by its U.S. subsidiaries.

Sage Group contends that this Court should only consider its filings with the USPTO and its operation of its website in our minimum contacts analysis because those were the only contacts before the district court at the time it ruled on the motion to dismiss for lack of personal jurisdiction. Even considering all of the contacts cited by QTI, personal jurisdiction over Sage Group is inappropriate.

First, QTI's claims do not sufficiently "arise out of or relate to" the contacts indicated by the documents filed with the USPTO to establish specific jurisdiction. The documents filed by Sage Group merely indicate that Sage Group owned various registrations of the mark SAGE in the United Kingdom, it had the intention of using the mark in commerce in the United States, and its subsidiaries were currently using the mark in the United States. n4 Sage Group's filings with the USPTO further indicate that it had used the mark SAGE in advertisements placed in publications which circulate in the United States. Generally, advertisements are insufficient to establish personal jurisdiction. See Singletary v. B.R.X., Inc., 828 F.2d 1135, 1136-37 (5th Cir. 1987) (concluding that advertisements did not establish personal jurisdiction where there was no evidence that the "claim arose out of or was related to" the advertisements). Second, Sage Group's operation of a website containing company and product information and links to its U.S. subsidiaries also does not provide sufficient grounds for the exercise of personal jurisdiction. See Mink, 190 F.3d at 337 (finding that a website that is nothing more than a "passive advertisement, " i.e. a website that provides product information, toll-free telephone numbers, e-mail addresses, mail addresses, and mail-in order forms, does not support the exercise of personal jurisdiction). Finally, Sage Group's various contacts with U.S. companies, including those related to its re-branding efforts with its U.S. subsidiaries, also do not involve Sage Group using QTI's mark in commerce in the U.S., thus they do not form a sufficient basis for specific personal jurisdiction.

For the foregoing reasons, we affirm the district court's grant of Sage Group's motion to dismiss for lack of personal jurisdiction.

II. Amendment to Pretrial Order

The district court's decision not to allow QTI's proposed amendment of the Pretrial Order submitted shortly before trial is reviewed for an abuse of discretion. Masinter v. Tenneco Oil Co., 929 F.2d 191, 194 (5th Cir. 1991). "Because of the importance of the pre-trial order in achieving efficacy and expeditiousness upon trial in the district court, appellate courts are hesitant to interfere with the court's discretion in creating, enforcing, and modifying such orders." Flannery v. Carroll, 676 F.2d 126, 129 (5th Cir. 1982). Federal Rule of Civil Procedure 16(e) states that "the order following a final pretrial conference shall be modified only to prevent manifest injustice."

QTI asserts that a damages claim based on prospective corrective advertising was mistakenly left out of the Joint Pretrial Order presented to the district court in November 2000. n5 The district court, concerned with "fundamental fairness," refused to allow QTI to modify the Pretrial Order. QTI argues that the district court abused its discretion because Holdings and Sage Software would not have been prejudiced by the amendment, rather, the amendment would have caused only a slight inconvenience. Moreover, QTI argues that it was substantially harmed by not being allowed to amend the Pretrial Order. We disagree. In Trinity Carton Co. v. Falstaff Brewing Corp., this Court explained that:

Even though amendment of the Pretrial Order may be allowed where no surprise or prejudice to the opposing party results, where . . . the evidence and the issue were known at the time of the original pretrial conference, amendments may generally be refused. Each party has an affirmative duty to allege at the pretrial conference all factual and legal bases upon which the party wishes

to litigate the case. Failure to do so may implicate waiver of the issue at the discretion of the trial court, subject to considerations of fairness and efficient administration of justice.

767 F.2d 184, 193 n.13 (5th Cir. 1985) (citation omitted). Accordingly, we find that the district court did not abuse its discretion in refusing to allow the amendment.

III. Accounting of Profits

QTI sought to receive an accounting of Holdings' and Sage Software's profits pursuant to 15 U.S.C. § 1117(a), in addition to injunctive relief pursuant to 15 U.S.C. § 1116. Section 1117(a) provides that:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a), (c), or (d) [15 U.S.C. § 1125(a), (c), or (d)], or a willful violation under section 43(c) [15 U.S.C. § 1125(c)], shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of section 29 and 32 [15 U.S.C. §§ 1111, 1114], and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances

shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

As this Court has previously stated, "the goal behind §§ 1116 and 1117 remedies is to achieve equity between or among the parties." Seatrax, Inc. v. Sonbeck Int'l, Inc., 200 F.3d 358, 369 (5th Cir. 2000). "A district court's ruling regarding §§ 1116 and 1117 remedies is subject to an abuse of discretion standard of review." Id. The district court's instructions to the jury are also subject to an abuse of discretion standard of review. See Waco Int'l Inc. v. KHK Scaffolding Houston Inc., 278 F.3d 523, 528 (5th Cir. 2002). "Although we afford broad discretion in fashioning jury instructions, the trial court must nevertheless instruct the jurors, fully and correctly, on the applicable law of the case. . . ." EEOC v. Manville Sales Corp., 27 F.3d 1089, 1096 (5th Cir. 1994) (internal citations omitted).

Section 1117(a) provides that "the Court shall assess such profits and damages or cause the same to be assessed under its direction." In this case, in addition to instructing the jury on the likelihood of confusion issues, the district judge asked the jury to decide whether Holdings' and Sage Software's infringement was done willfully. n6 The jury was further instructed that if it answered affirmatively regarding the willful infringement issue, it was then to determine the amount of damages, if any. n7

QTI argues that the district judge erred by conditioning an award of profits upon a finding of a particular means, i.e. willful infringement. QTI contends, among other things, that a willfulness requirement is contrary to the plain language of § 1117(a) and goes beyond the requirements of this Court's precedent. In contrast, the

Defendants urge this Court to explicitly hold that willful infringement is a prerequisite to an accounting of profits under § 1117(a). Alternatively, the Defendants argue that the district court exercised its discretion appropriately when it ruled in the Final Judgment that QTI was not entitled to an award of profits.

In considering these arguments, we are cognizant that several of our sister circuits have embraced a willfulness requirement in order to obtain an award of profits. See SecuraComm Consulting Inc. v. Securacom Inc., 166 F.3d 182, 190 (3d Cir. 1999) (holding that "a plaintiff must prove that an infringer acted willfully before the infringer's profits are recoverable"); Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1223 (10th Cir. 1998) (finding that "an award of profits requires a showing that defendant's actions were willful or in bad faith"); Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1247 (8th Cir. 1994) (stating that an accounting of profits may be awarded based on various theories "if a registered owner proves willful, deliberate infringement or deception"); The George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1534 (2d Cir. 1992) (holding that "in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception"); ALPO Petfoods, Inc. v. Ralston Purina Co., 286 U.S. App. D.C. 192, 913 F.2d 958, 968 (D.C. Cir. 1990) (concluding that "an award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith"). But see Adray v. Adry-Mart, Inc., 76 F.3d 984, 991 (9th Cir. 1995) (concluding that "an instruction that willful infringement is a prerequisite to an award of defendant's profits may be error in some circumstances (as when plaintiff seeks the defendant's profits as a measure of his own damage)"); Roulo v. Russ Berrie & Co., Inc., 886 F.2d 931, 941 (7th Cir. 1989) (explaining that "other than general equitable

considerations, there is no express requirement . . . that the infringer willfully infringe . . . to justify an award of profits"); Burger King Corp v. Mason, 855 F.2d 779, 783 (11th Cir. 1988) ("Nor is an award of profits based on either unjust enrichment or deterrence dependent upon a higher showing of culpability on the part of the defendant, who is purposely using the trademark."). n8 It is important to note, however, that prior to the amendment of § 1117(a) on August 5, 1999, there were no references to the term "willful" in § 1117(a), thus the decisions of our sister circuits are of limited utility to the decision we are faced with today. See Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) (substituting "a violation under section 43(a), or a willful violation under section 43(c)," for "or a violation under section 43(a)").

Several of our previous cases are instructive. In Maltina Corp. v. Bottling Co., this Court held that an accounting of profits may be proper "even if the defendant and plaintiff are not in direct competition, and the defendants' infringement has not diverted sales from the plaintiff. " 613 F.2d 582, 585 (5th Cir. 1980). The Court concluded that an accounting of the profits the defendant earned from its willful infringement was proper and serves two purposes - "remedying unjust enrichment and deterring future infringement." Id.

In Hard Rock Cafe International v. Texas Pig Stands, Inc., this Court affirmed a district court's denial of an award of profits notwithstanding a jury finding that Hard Rock Cafe's infringement was willful and that it was unjustly enriched by its infringement. 951 F.2d 684, 687, 689 (5th Cir. 1992). The Court approvingly cited the district court's description of the situation: "While the Court believes defendant sold pig sandwiches knowing of plaintiff's mark, it appears this was done not as an

attempt to profit from the mark but rather in simple disregard of plaintiff's rights." Id. at 695. This Court concluded that awarding Texas Pig Stands any of Hard Rock Cafe's profits from the sale of pig sandwiches would be a windfall because there was no evidence that the profits were attributable to Hard Rock Cafe's infringement. Id. at 696.

In Pebble Beach Co. v. Tour 18 Ltd. , this Court adopted a factor based approach to the determination of whether an award of profits is appropriate in trademark infringement cases. 155 F.3d 526 (5th Cir. 1998). The factors to be considered include, but are not limited to "(1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off." Id. at 554; see also Rolex Watch USA, Inc. v. Meece, 158 F.3d 816, 823 (5th Cir. 1998) (citing the Pebble Beach factors). Ultimately, this Court concluded that the district court in Pebble Beach Co. did not abuse its discretion in denying an accounting of profits. The Court reasoned that because of the "lack of actual damages and the lack of an intent to confuse or deceive," injunctive relief satisfied the equities of the case. Pebble Beach Co., 155 F.3d at 555.

More recently, this Court once again outlined its factor based approach in Seatrax, Inc. v. Sonbeck International, Inc., 200 F.3d 358, 369 (5th Cir. 2000). With regard to remedies, the Court noted that "because each case presents a different set of facts and circumstances, a case-by-case evaluation is warranted to determine the nature of the infringing conduct and its adverse effects, if any, on the plaintiff." Id. In Seatrax, the Court rejected the plaintiff's contention that an

accounting of profits was appropriate because the defendant was unjustly enriched, explaining that "evidence of unjust enrichment and diversion of sales [was] speculative at best." Id. at 372. Moreover, the Court found that other factors weighed against an accounting of profits, i.e. the jury did not find that the infringement was willful, the case did not involve palming off, and the permanent injunction would provide "an effective deterrent to future infringement." Id. Thus, the Court concluded that the district court did not abuse its discretion in denying profits.

It is obvious from our cases that willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate. n9 In accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits. Rather, we reaffirm the factor-based approach outlined in Pebble Beach Co., Rolex Watch USA, Inc., and Seatrax, Inc.

Section 1117(a) remedies are awarded "subject to the principles of equity." Thus, an award of the defendant's profits is not automatic. See Champion Spark Plug Co. v. Sanders, 331 U.S. 125, 131, 91 L. Ed. 1386, 67 S. Ct. 1136 (1947); Pebble Beach Co., 155 F.3d at 554. In order to determine whether an accounting is appropriate, the court, or the jury in this case, considers the factors outlined in Pebble Beach Co. "Once an award is found to be appropriate, a markholder is only entitled to those profits attributable to the unlawful use of its mark." Id. (citing Texas Pig Stands, Inc., 951 F.2d at 696).
In this case, the district judge instructed the jury that it should not reach the issue of awarding profits unless it determined there was willful infringement. Under this

instruction, the jury was only afforded the opportunity to consider one factor, albeit an important one. If the other factors are applicable to the case, such a limited instruction is improper.

QTI asserts that only two of the Pebble Beach Co. factors are applicable to the facts of this case - unreasonable delay by the plaintiff in asserting his rights and the public interest in making the misconduct unprofitable. The Defendants do not allege any unreasonable delay by QTI in asserting its rights. Because the jury was instructed that an award of profits was contingent on a finding of willful infringement, and because the jury was not allowed to consider the public interest in making the misconduct unprofitable in its damages determination, we conclude that the jury instruction constitutes error. However, because the statute is heavily imbued with equitable considerations, an error in the jury instruction does not end the analysis. When the evidence as a whole is measured against the only two Pebble Beach Co. factors that are arguably applicable, the principles of equity still do not weigh in favor of an award of profits to QTI. Notwithstanding the error in the jury instruction which limited the jury to considering only willfulness, QTI has not shown that the district court abused the wide discretion afforded it by the statute in denying an award of profits. As we have previously held, "a markholder is only entitled to those profits attributable to the unlawful use of its mark." Id. (citing Texas Pig Stands, Inc., 951 F.2d at 696). In Texas Pig Stands, Inc., we concluded that there was no evidence whatsoever that Hard Rock Cafe used Texas Pig Stands' good will to sell its pig sandwiches. 951 F.2d at 696. As the trial court in Texas Pig Stands, Inc. summarized the situation, "Hard Rock would have sold just as many pig sandwiches by any other name and . . . there is no basis for inferring that any of the profits

received by [Hard Rock] from the sale of pig sandwiches are attributable to infringement." Id. (internal quotations omitted). The defendant in Texas Pig Stands, Inc. "sold pig sandwiches knowing of plaintiff's mark, [but] it appears this was done not as an attempt to profit from the mark but rather in simple disregard of plaintiff's rights." Id. at 695. We believe this case poses a similar situation. Thus, as in Texas Pig Stands, Inc., "the granted permanent injunction adequately remedies the complained-of infringement, and awarding [the plaintiff] any of [the defendant's] profits would be far from equitable - it would be a windfall." Id. at 696. Section 1117(a) affords wide discretion to the district court to apply principles of equity when a claim for profits is made. Having considered the record as a whole, we find no abuse of discretion by the district court when it declined to award profits to QTI in the judgment entered on May 30, 2001.

CONCLUSION

For the reasons stated above, we AFFIRM the district court's judgments.

AFFIRMED.

Footnotes

n1 In the Fall 2001, in light of the permanent injunctions issued by the district court on May 30, 2001, Sage U.S. Holdings, Inc. changed its name to Best U.S. Holdings, Inc. and Sage Software, Inc. changed its name to Best Software of California, Inc. For purposes of this opinion, we will continue to refer to these two entities as Holdings and Sage Software respectively.

n2 The Defendants stated in their brief: "That the

application was not earlier abandoned . . . was the result of a miscommunication among counsel for Defendants-Appellees."

n3 Within QTI's "Conclusion" to its initial brief, QTI summarily asks this Court to reverse and remand the district court's determination denying attorney's fees. However, this argument is not listed in the "Statement of Issues Presented for Appeal," nor addressed in the body of the brief, thus it is deemed waived. See United States v. Thames, 214 F.3d 608, 611 n.3 (5th Cir. 2000); see also FED. R. APP. P. 28(a)(5) & 28(a)(9)(A). QTI's scant references to the attorney's fees issue in its Reply Brief do not overcome the waiver in this case.

n4 QTI stated in its brief that it "is not seeking to have the activities of Sage Group's U.S. subsidiaries imputed to Sage Group for purposes of establishing jurisdiction under an alter ego theory," and acknowledged that "Sage Group does not directly sell its products in the United States."

n5 QTI correctly points out that the original Joint Pretrial Order presented to the district court in November 2000 was not signed and entered by Judge Lynn at that time. On April 11, 2001, Judge Lynn entered the Pretrial Order presented to her in November 2000 and explained that it was not entered at the November pretrial conference "merely because it's not custom to enter these if the case is not going to go to trial. But I reviewed it at the time, approved it at the pretrial before." "It is a well-settled rule that a joint pretrial order signed by both parties supercedes all pleadings and governs the issues and evidence to be presented at trial." Kona Tech Corp v. S. Pac. Transp. Co., 225 F.3d 595, 604 (5th Cir. 2000) (quoting McGehee v. Certainteed Corp.,

101 F.3d 1078, 1080 (5th Cir. 1996)).

n6 The jury charge entitled "willful infringement" stated as follows:
QTI claims that the Defendants willfully infringed its trademark rights. "Willfully" means to do an act voluntarily and intentionally and with the specific intent to cause the likelihood of consumer confusion.

If you answered Questions No. 1 or 2 [the likelihood of confusion questions] "Yes" as to one or both Defendants, then answer the following question as to that Defendant. Otherwise, do not answer the following Question.

Question No. 3:

Has QTI proven that in connection with the use of the name SAGE in the United States the Defendants intended to cause confusion, to cause mistake or to deceive?

n7 The jury charge entitled "damages" stated, in relevant part:
If you have found that Defendants' infringement, if any, was willful, you may award QTI the profits earned by the Defendants from the infringing activity. . . .

If you answered Question No. 3 "Yes" as to one or both of the Defendants, then answer the following question as to each such Defendant. Otherwise do not answer the following Question.

Question No. 4:

State the damages, if any, you award QTI by reason of the profits made by the Defendants from the sale of

software products since each Defendant began using SAGE in commerce.

n8 For a comprehensive discussion of the viability of a willfulness requirement to an accounting of profits under § 1117(a), see Danielle Conway-Jones, Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits, 42 SANTA CLARA L. REV. 863 (2002).

n9 QTI argues that the district court erred by instructing the jury that an infringing act is done willfully if it is done "voluntarily and intentionally and with the specific intent to cause the likelihood of consumer confusion" and with the intent to "cause confusion, to cause mistake or to deceive." We disagree. See Pebble Beach Co., 155 F.3d at 554 (describing the willfulness factor as "whether the defendant had the intent to confuse or deceive"); see also Tamko Roofing Products, Inc. v. Ideal Roofing Co., 282 F.3d 23, 36 n.10 (1st Cir. 2002) ("As to the meaning of willfulness, the jury was instructed that 'an act is done willfully if done voluntarily and intentionally.'").

Civil Action No. 3-98CV1218-M
(Lead)
and
Civil Action No. 3-99CV00903-M
(Consolidated)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

QUICK TECHNOLOGIES, INC.,
Plaintiff,

v.

THE SAGE GROUP PLC and
SAGE U.S. HOLDINGS, INC.,
Defendants

Filed May 30, 2001

FINAL JUDGMENT

The Court tried this case before a jury beginning on April 16, 2001. On April 26, 2001 , the jury returned its verdict. Among other things, the jury found that Defendants had infringed Plaintiff's registered trademarks, but also found that they had not done so willfully.

Having considered the verdict and the applicable authorities, the Court determined that permanent injunctive relief should be entered in favor of Plaintiff, but that no damages should be awarded. The Court has this date entered two permanent injunctions against Sage Software, Inc. and Sage U.S. Holdings, Inc., which injunctions are part of this Final Judgment as if set out

in full herein. Taxable court costs are imposed against Defendants, jointly and severally. All other relief sought by any party is denied.

SO ORDERED, ADJUDGED AND DECREED this 30 day of May, 2001.

BARBARA M. G. LYNN
UNITED STATES DISTRICT JUDGE

Civil Action No. 3-98CV1218-M
(Lead)
and
Civil Action No. 3-99CV00903-M
(Consolidated)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

QUICK TECHNOLOGIES, INC.,
Plaintiff,

v.

THE SAGE GROUP PLC and
SAGE U.S. HOLDINGS, INC.,
Defendants

Filed April 26, 2001

COURT'S CHARGE TO THE JURY
MEMBERS OF THE JURY:
GENERAL INSTRUCTIONS

Now that you have heard the evidence, it is my duty to instruct you as to the law that is applicable to this case. I will instruct you on the law that you should apply in answering certain questions of fact, which I will read to you in a few moments.

The attorneys then will have the opportunity to make their closing arguments. You are instructed that the statements and arguments of counsel are not evidence. They are intended only to assist the jury in understanding the evidence and the contentions of the parties to this suit.

After the attorneys make their closing arguments, I will give you some additional instructions, after which you will retire to commence your deliberations.

In arriving at your verdict, it is your duty to follow the rules of law which I give to you and find the facts of this case from the evidence introduced at trial and in accordance with these rules of law. You are not to single out one instruction alone as stating the law, but must consider the instructions as a whole. Neither are you to be concerned with the wisdom of any rule of law stated by me.

The evidence in the case consists of the sworn testimony of the witnesses, regardless of who may have called them and whether they testify live or by deposition; and all exhibits received in evidence, regardless of who may have produced them; and all facts that may have been admitted or stipulated.

You should not consider or be influenced by the fact that during the trial of this case, counsel have made objections to the testimony, as it is their duty to do so, and it is the duty of the Court to rule on those objections in accordance with the law. Nothing in these instructions nor anything said or done by the Court during trial is, or was, made for the purpose of suggesting to you what verdict I think you should find.

Remember at all times that you are the sole and exclusive judges of the facts. As I have said, I will give you the law that you must apply to the facts of the ease, but you—and only you—must determine what the facts are. Your judgment of the facts should be your own unbiased judgment, uninfluenced by the Court, except with respect to the law of the case as the Court instructs you. It will always be your recollection which will be

binding. Counsel may say in their argument that something is a fact. If that is not your recollection, disregard counsel's statement.

Generally speaking, there are two types of evidence a jury may consider in properly finding the truth as to the facts in this case. One is direct evidence — such as testimony of an eyewitness. The other is indirect or circumstantial evidence — the proof of a chain of circumstances which points to the existence or non-existence of certain facts. As a general rule, the law makes no distinction between direct and circumstantial evidence but simply requires that the jury find the facts from the evidence, both direct and circumstantial. You will rely on your own good judgment and common sense in considering the evidence and determining the weight to be given it.

You are not to consider as evidence any testimony or document to which the Court sustained objections and ruled inadmissible. While you should consider only the evidence admitted in the case, you are permitted to draw reasonable inferences and deductions from the evidence. The expression "to draw an inference" means to find that a fact exists based upon proof of another fact. An inference may be drawn only if it is reasonable and logical, not if it is speculative. Therefore, in deciding whether to draw an inference, you must consider all the facts in light of reason, common sense and experience. After you have done that, the question whether to draw a particular inference is for you to decide.

If testimony or exhibits have been received only for a limited purpose, you must follow the limiting instructions I have given you, and only consider such evidence for that limited purpose.

Anything you may have seen or heard when the Court was not in session is not evidence. You are to decide the case solely on the evidence received at the trial.

It is the function of the jury to determine the credibility of each witness and to determine the weight to be given the witness's testimony. Consider all of the circumstances under which the witness testified, the interest, if any, the witness has in the outcome of this case, the witness's appearance and demeanor while on the witness stand, the witness's apparent candor and fairness, or lack thereof, the reasonableness or unreasonableness of the witness's ' testimony, and the extent to which the witness is contradicted or supported by other credible evidence.

In determining the weight to give to the testimony of a witness, you should ask yourself whether there was evidence tending to prove that the witness testified falsely concerning some important fact, or whether there was evidence that at some other time the witness said or did something, or failed to say or do something, that was different from the testimony the witness gave before you during the trial.

A witness may be discredited, or "impeached," by contradictory evidence, by showing that he or she testified falsely concerning a material matter, or by evidence that at some other time the witness said or did something, or failed to say or do something, which is inconsistent with the present testimony of that witness. If you believe that any witness has been impeached, then it is your exclusive province to give the testimony of that witness such credibility or weight, if any, as you think it deserves.

You should keep in mind, of course, that a simple mistake by a witness does not necessarily mean that the witness was not telling the truth as he or she remembers it, because people may forget some things or remember other things inaccurately. So, if a witness has made a misstatement, you need to consider whether that misstatement was an intentional falsehood or simply an innocent lapse in memory; and the significance of that may depend on whether it has to do with an important fact or with only an unimportant detail.

The testimony of a single witness, which produces in your minds the belief in the likelihood of truth, is sufficient for the proof of any fact, even though a greater number of witnesses may have testified to the contrary, if you believe that witness and have considered all the other evidence.

Certain testimony has been presented to you through deposition. As I have previously instructed you, a deposition is the sworn, recorded answers to questions asked a witness in advance of the trial, before a court reporter. Questions and answers from various depositions were read or shown to you in this trial. This deposition testimony is entitled to the same consideration as if the witnesses had been present and had testified from the witness stand, in court.

Certain charts and summaries have been shown to you in order to help explain the facts disclosed by the books, records, and other documents received into evidence in the case, as well as the testimony of some of the witnesses. If you believe such charts or summaries do not accurately reflect facts or figures shown by the evidence in this case, you should disregard them.

Do not let bias, prejudice or sympathy play any part in your deliberations. The parties to this litigation must be treated exactly alike insofar as their rights are concerned.

Any notes that you have taken during this trial are only aids to memory. If your memory should differ from your notes, then you should rely on your memory and not on the notes. The notes are not evidence. A juror who has not taken notes should rely on his or her independent recollection of the evidence. Notes are not entitled to any greater weight than the recollection or impression of each juror about the testimony.

Throughout this charge, I will refer to Plaintiff Quick Technologies, Inc. as "QTI" or as "Plaintiff" I will refer to Defendant Sage U.S. Holdings, Inc. and Defendant Sage Software, Inc. by their full names or, where appropriate, collectively as "Defendants."

The parties have agreed, or stipulated, that the following are the facts, and therefore you must take them as proven: (1) QTI is the registrant of Federal Trademark Registration No. 2,143,828 SAGE INFORMATION SYSTEM on the principal register of the U.S. Patent and Trademark Office; (2) Defendant Sage U.S. Holdings, Inc. sells software for use on computers including the products known as TIMESLIPS, TIME SHEET, CARPE DIEM and TELEMAGIC; (3) Sage Software, Inc. sells software for use on computers including the products known as DacEasy, MAS 90, BUSINESS WORKS and ACUITY; (4) Sage U.S. Holdings, Inc. is indirectly owned by Sage Group plc, an English company; and (5) Sage Software, Inc. is indirectly owned by Sage Group plc, an English company.

Except where expressly stated otherwise in these Instructions, Plaintiff has the burden of proof by a preponderance of the evidence. Preponderance of the evidence simply means evidence that persuades you that a claim is more likely true than not true. In determining whether any fact has been proved by a preponderance of the evidence in the case, you may, unless otherwise instructed, consider the testimony of all witnesses, regardless of who may have called them, and all exhibits received in evidence, regardless of who may have produced them, and the stipulations. If the proof fails to establish any essential part of Plaintiffs claim by a preponderance of the evidence, you should find for the Defendants as to that claim.

Do not speculate as to what a party's ultimate recovery may or may not be. Any recovery will be determined by the Court when it applies the law to your answers at the time of judgment. Do not add any amount for interest on damages, if any.

Answer each question from the facts as you find them. Do not decide who you think should win and then answer the questions accordingly. Your answers and your verdict must be unanimous.

TRADEMARK INSTRUCTIONS

THEORY OF TRADEMARK INFRINGEMENT

In this case, the Plaintiff, QTI, seek to recover money damages and injunctive relief from the Defendants Sage U.S. Holdings, Inc. and Sage Software, Inc. for what QTI claims to be a trademark infringement in Defendants' use of SAGE in connection with the sale of software within the United States. The legal principles discussed in these instructions regarding the law of trademark

infringement have resulted from attempts to balance the following objectives:

(1) protecting the public from being confused, misled or deceived about the nature and source or sponsorship of the goods and services they buy;

(2) protecting the property rights of a business to identify itself and its goods and services to the public;

(3) trying to achieve these goals without injury to the free-market economic system, which encourages fair competition among those providing goods and services.

Because of the varying objectives involved in cases of this type, each such case must be decided largely on its specific facts, and you, the jury, are the judge of the facts.

DEFINITION OF TRADEMARK

The term "trademark" includes any word, name, symbol, device, or any combination of them adopted and used by a business to distinguish its goods or services from those manufactured or sold by others and to indicate the source of the goods or services.

The main function of a trademark is to identify and distinguish goods or services as a product of a particular business and to protect that business's goodwill against the sale of another's product or service as its own.

A trademark is also a merchandising symbol that helps a prospective purchaser to make purchasing selections. A trademark signifies that all goods bearing that trademark come from a single source and that all goods bearing the trademark are of an equal level of quality.

OWNERSHIP AND PRIORITY

Federal law recognizes rights in both registered and unregistered trademarks. To assert trademark infringement of either a registered or unregistered trademark, the Plaintiff must show ownership of the asserted trademark by use as a trademark in commerce in connection with the owner's goods or services, before use as a trademark by the Defendants. Proof of use outside the United States may not be considered for either ownership or priority of a trademark under the federal law of the United States.

A notice of publication provides no substantive rights in a requested mark and is not a finding by the United States Patent and Trademark Office that there is no likelihood of confusion. Instead, the federal trademark registration is, if unchallenged, proof of the ownership and validity of the registered mark and of the registrant's exclusive right to use the mark in commerce in the manner stated in the registration. In this case, QTI is the owner of Registration No. 2,143,828 SAGE INFORMATION SYSTEM and Registration No. 2,240,550 SAGE.

1. Registered Trademark Infringement

QTI accuses Defendants of trademark infringement based on Defendants' use of the name and mark SAGE in connection with the sale and advertising of Defendants' various products and services. To prove its claim of registered trademark infringement, QTI must show by a preponderance of the evidence that Defendants' use of SAGE was likely to cause confusion or to cause mistake, or to deceive, with respect to QTI's registered trademarks.

2. Infringement of Unregistered Mark

QTI also claims infringement of unregistered marks that include the word "SAGE." To prevail on its claim for infringement of unregistered marks, QTI must first prove, by a preponderance of the evidence, that its unregistered marks utilizing the word "SAGE" are entitled to protection.

To prove that its unregistered marks are entitled to protection, QTI must show that it has used the marks and that the marks are sufficiently "distinctive" to qualify for trademark protection. A mark that is merely descriptive does not qualify for trademark protection unless it has obtained secondary meaning. The terms "arbitrary," "fanciful," "suggestive," "descriptive," and "secondary meaning" are defined below.

In addition to proving that its unregistered marks utilizing the word "SAGE" are entitled to protection, QTI must also prove that Defendants' use of SAGE was likely to cause confusion, or to cause mistake, or to deceive, with respect to QTI's trademarks.

LIKELIHOOD OF CONFUSION

To prove its claim of trademark infringement, QTI must show that Defendants' use of SAGE was likely to create confusion among consumers as to source, affiliation, or sponsorship of the parties' products. If consumers believe, even though falsely, that the natural tendency of QTI is to expand into the market for the types of goods marketed by Defendants, confusion may be likely. Confusion may also include a mistaken impression that QTI gave Defendants permission to use SAGE, or vice versa. In addition, trademark law protects against confusion in which a person's goods are thought to

originate with, or be sponsored or approved by another person, and the reverse situation, in which the trademark owner's goods are thought to originate with, or to be sponsored or approved by the non-trademark owner.

FACTORS FOR THE JURY'S CONSIDERATION IN DETERMINING WHETHER THERE IS A LIKELIHOOD OF CONFUSION

In determining whether Defendants' use of SAGE or SAGE INFORMATION SYSTEM is likely to cause confusion, or to cause mistake or deceive, you may draw on common sense and experience. In addition to the general knowledge you have acquired throughout your lifetime, you should also consider the factors listed below, remembering that no one factor or consideration is conclusive.

(1) The distinctiveness or strength of QTI's SAGE and SAGE INFORMATION SYSTEM trademarks (the stronger the mark, the more likely is confusion; the weaker the mark, the less likely is confusion).

(2) The degree of similarity or dissimilarity between QTI's SAGE and SAGE INFORMATION SYSTEM trademarks and any trademark used by Defendants, i.e., whether the trademarks used by the respective parties create the same overall impression in their commercial context (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(3) The similarity or dissimilarity of the parties' products (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(4) The similarity or dissimilarity of the parties' retail outlets and purchasers (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(5) The similarity or dissimilarity of the parties' advertising media (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(6) The Defendants' intent, i.e. whether they intended to benefit from a perceived affiliation with QTI (the existence of such intent is an indication of the likelihood of confusion; the absence of such intent or the existence of good faith, means that this factor is not relevant to the likelihood of confusion).

(7) The extent of actual confusion, if any. In cases of alleged actual confusion, you may consider the context of such actual confusion in determining what weight to give it, including, but not limited to, the care exercised by the allegedly confused person, and the number of confused persons in light of the number of contacts received by the parties. Persuasive evidence of actual confusion is very important in determining the likelihood of confusion.

(8) The existence and extent of uses of similar marks by third parties. The greater the number of similar trademarks already in use on different kinds of goods, the less is the likelihood of confusion. QTI is not obligated to bring suit against all third parties who it believes may be using marks infringing its marks. Although extensive third-party usage of a mark may weaken a mark, such usage does not itself eliminate the mark's ability to be protected. In this regard, a mark which is relatively weak in the overall market for all

goods and services can nonetheless be strong enough to make confusion likely when a defendant uses a similar mark in the same general line of business.

QTI need not prove all or a majority of the above factors. In light of these factors and your common experience, you must determine if consumers, neither overly careful nor overly careless, would be confused as to the origin of the Defendants' products upon encountering the word SAGE in the Defendants' advertising, or would be confused by the Defendants' use of SAGE as to an association or affiliation between the Defendants and QTI, or an endorsement, approval or sponsorship of the Defendants ' products by QTI.

STRENGTH AND DISTINCTIVENESS OF MARKS

Marks have traditionally been arranged into four categories of generally increasing distinctiveness: (1) generic, (2) descriptive, (3) suggestive; and (4) arbitrary/fanciful. This hierarchy determines the strength of the trademark, which as you will see is a factor in deciding on likelihood of confusion. Generic marks cannot be trademarked. Marks that are found to fall in categories (3) and (4) are considered inherently distinctive, because their intrinsic nature serves to identify a particular source of a product or service. In contrast, descriptive marks are entitled to protection, but only if they have come to be uniquely associated with a particular source, thereby acquiring a secondary meaning.

We speak of strong and weak marks in terms of the amount of use necessary to create protected rights. Words which are coined, fanciful or arbitrary are distinctive almost from their first use. Suggestive words

are also protected as trademarks when used distinctively for particular products.
A coined word is an artificial word which has no language meaning except as a trademark. "Exxon" is a coined word used by an oil company.

A fanciful word is like a coined word in that it is invented for the sole purpose of functioning as a trademark and it differs from the coined word only in that it may bear a relationship to another word or it may be an obsolete word. "Fab" is a shortened version for fabulous and is a fanciful word used for detergent.

An arbitrary word is one which is in common linguistic use but when used with the goods in issue it neither suggests nor describes any ingredient, quality or characteristic of those goods. "Old Crow" for whiskey is an example of an arbitrary term.

A suggestive word is one which suggests what the product is without actually being descriptive of it. "Stronghold" for threaded nails is suggestive of superior holding power.

A merely descriptive word is one which draws attention to the ingredients, qualities or nature of the product. Words which are merely descriptive do not obtain protection solely from their use as a trademark. Such words must first acquire distinctiveness from the effect of the owner's efforts in the marketplace. This is what is called the development of secondary meaning; that is, a merely descriptive term used as a trademark must have been so used that its primary significance in the minds of the consuming public is not the product itself but the identification of it with a single source. "TENDER VITTLES" for cat food is an example of a descriptive mark.

Question No. 1:

Has QTI proven that Defendants have used in commerce the word SAGE in connection with the sale, offering for sale, distribution or advertising of any goods or services, in a manner which is likely to cause confusion, to cause mistake or to deceive, thereby infringing upon QTI's registered trademarks SAGE or SAGE INFORMATION SYSTEM?

Answer "Yes" or "No"

Sage U.S. Holdings, Inc.: YES

Sage Software, Inc.: YES

Question No. 2:

Has QTI proven that Defendants have used in commerce the word SAGE in connection with the sale, offering for sale, distribution or advertising of any goods or services, which is likely to cause confusion, to cause mistake or to deceive, thereby infringing upon a prior use by QTI of an unregistered trademark containing the word SAGE?

Answer "Yes" or "No"

Sage U.S. Holdings, Inc.: NO

Sage Software, Inc.: YES

WILLFUL INFRINGEMENT

QTI claims that the Defendants willfully infringed its trademark rights. "Willfully" means to do an act voluntarily and intentionally and with the specific intent to cause the likelihood of consumer confusion.

If you answered Questions No. 1 or 2 "Yes" as to one or both of the Defendants, then answer the following question as to that Defendant. Otherwise, do not answer the following Question.

Question No. 3:

Has QTI proven that in connection with the use of the name SAGE in the United States the Defendants intended to cause confusion, to cause mistake or to deceive?

Answer "Yes" or "No"

Sage U.S. Holdings, Inc.: NO

Sage Software, Inc.: NO

DAMAGES

You should not interpret the fact that I have given instructions about QTI's claim for damages as an indication in any way that I believe that QTI should or should not win this case. I am instructing you on damages only so that you will have guidance in the event you decide that the Defendants are liable and that QTI is entitled to recover money from the Defendants.

If you have found that the Defendants' infringement, if any, was willful, you may award QTI the profits earned by the Defendants from the infringing activity. In assessing profits, QTI is only required to prove the amount of Defendants' total gross sales. Total gross sales are the starting point that you are to use in calculating Defendants' profits. The Defendants have the burden of proving sales, if any, that were not attributable to the infringement. You should deduct

from the total gross sales attributable to the alleged infringement any allowable costs and expenses that you find Defendants have proven by a preponderance of the evidence.

If you answered Question No. 3 "Yes" as to one or both of the Defendants, then answer the following question as to each such Defendant. Otherwise do not answer the following

Question:

Question No. 4:

State the damages, if any, you award QTI by reason of the profits made by the Defendants from the sale of software products since each Defendant began using SAGE in commerce.

Answer in dollars and cents, or none:

Sage U.S. Holdings, Inc.:

Sage Software, Inc.:

POST-ARGUMENT INSTRUCTIONS

You are the sole and exclusive judges of the facts. You should determine these facts without any bias, prejudice, sympathy, fear, or favor, and this determination should be made from a fair consideration of all the evidence that you have seen and heard in this trial. Do not speculate on matters that are not in evidence. Keep constantly in mind that it would be a violation of your sworn duty to base a verdict on anything but the evidence in the case. Your answers and verdict must be unanimous; that is, all of you must agree

to each of your answers. It is your duty, as jurors, to consult with one another and to deliberate with a view to reaching agreement, if you can do so without violence to individual judgment. You must each decide the case for yourself, but you should do so only after you have considered all the evidence, discussed it fully with the other jurors, and listened to the views of your fellow jurors.

In the course of your deliberations, do not hesitate to reexamine your own views, and change your opinion, if the discussion persuades you that you should. But do not come to a decision simply because the other jurors think it is right. You will carefully and impartially consider all the evidence in the case, follow the law as stated by the Court, and reach a just verdict, regardless of the consequences.

You will now retire to the jury room. In a few minutes I will send to you this charge and the exhibits the Court has admitted into evidence, upon which you should select your presiding juror and commence your deliberations.

If during the course of your deliberations you wish to communicate with the Court, you should do so only in writing by a note signed by the presiding juror. I will then respond as promptly as possible, either in writing or by having you return to the courtroom so that I can address you orally. I caution you, however, with respect to any message or question you might send, that you should never state or specify your numerical division at the time.

During your deliberations you will set your own work schedule, deciding for yourselves when and how frequently you wish to recess and for how long.

After you have reached your verdict, you will return this charge together with your written answers to the foregoing questions. Do not reveal your answers to anyone besides other members of the jury until such time as you are discharged, unless otherwise directed by me.

Your presiding juror will sign in the space provided on the following page after you have reached your verdict.

DATED: April 25, 2001.

BARBARA M.G. LYNN
UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

VERDICT OF THE JURY

We, the jury, have answered the above and foregoing questions as indicated, and herewith return the same into Court as our verdict.

DATED: April 26, 2001.

PRESIDING JUROR

No. 01-11197

IN THE IWITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

QUICK TECHNOLOGIES INC
Plaintiff - Appellant

v.

THE SAGE GROUP PLC; SAGE US HOLDINGS INC
Defendants – Appellees

QUICK TECHNOLOGIES INC
Plaintiff - Appellant

v.

SAGE SOFTWARE INC
Defendant – Appellee

Appeal from the United States District Court for the
Northern District of Texas, Dallas

ON PETITION FOR REHEARING

Before DeMOSS, STEWART, and DENNIS, Circuit Judges.

PER CURIAM:

IT IS ORDERED that the petition for rehearing is DENIED.

ENTERED FOR THE COURT:
United States Circuit Judge

Civil Action No. 3-98CV1218-M (Lead)
and
Civil Action No. 3-99CV00903-M (Consolidated)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

QUICK TECHNOLOGIES, INC.,
Plaintiff,

v.

THE SAGE GROUP PLC and
SAGE U.S. HOLDINGS, INC.,
Defendants

Filed May 30, 2001

FINAL JUDGMENT

The Court tried this case before a jury beginning on April 16, 2001. On April 26, 2001 , the jury returned its verdict. Among other things, the jury found that Defendants had infringed Plaintiff's registered trademarks, but also found that they had not done so willfully.

Having considered the verdict and the applicable authorities, the Court determined that permanent injunctive relief should be entered in favor of Plaintiff, but that no damages should be awarded. The Court has this date entered two permanent injunctions against Sage Software, Inc. and Sage U.S. Holdings, Inc., which injunctions are part of this Final Judgment as if set out in full herein. Taxable court costs are imposed against

Defendants, jointly and severally. All other relief sought by any party is denied.

SO ORDERED, ADJUDGED AND DECREED this 30 day of May, 2001.

BARBARA M. G. LYNN
UNITED STATES DISTRICT JUDGE

Civil Action No. 3-98CV1218-M (Lead)
and
Civil Action No. 3-99CV00903-M (Consolidated)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

QUICK TECHNOLOGIES, INC.,
Plaintiff,

v.

THE SAGE GROUP PLC and
SAGE U.S. HOLDINGS, INC.,
Defendants

Filed April 26, 2001

COURT'S CHARGE TO THE JURY
MEMBERS OF THE JURY:
GENERAL INSTRUCTIONS

Now that you have heard the evidence, it is my duty to instruct you as to the law that is applicable to this case. I will instruct you on the law that you should apply in answering certain questions of fact, which I will read to you in a few moments.

The attorneys then will have the opportunity to make their closing arguments. You are instructed that the statements and arguments of counsel are not evidence. They are intended only to assist the jury in understanding the evidence and the contentions of the parties to this suit.

After the attorneys make their closing arguments, I will give you some additional instructions, after which you will retire to commence your deliberations.

In arriving at your verdict, it is your duty to follow the rules of law which I give to you and find the facts of this case from the evidence introduced at trial and in accordance with these rules of law. You are not to single out one instruction alone as stating the law, but must consider the instructions as a whole. Neither are you to be concerned with the wisdom of any rule of law stated by me.

The evidence in the case consists of the sworn testimony of the witnesses, regardless of who may have called them and whether they testify live or by deposition; and all exhibits received in evidence, regardless of who may have produced them; and all facts that may have been admitted or stipulated.

You should not consider or be influenced by the fact that during the trial of this case, counsel have made objections to the testimony, as it is their duty to do so, and it is the duty of the Court to rule on those objections in accordance with the law. Nothing in these instructions nor anything said or done by the Court during trial is or was made for the purpose of suggesting to you what verdict I think you should find.

Remember at all times that you are the sole and exclusive judges of the facts. As I have said, I will give you the law that you must apply to the facts of the case, but you--and only you--must determine what the facts are. Your judgment of the facts should be your own unbiased judgment, uninfluenced by the Court, except with respect to the law of the case as the Court instructs you. It will always be your recollection which will be

binding. Counsel may say in their argument that something is a fact. If that is not your recollection, disregard counsel's statement.

Generally speaking, there are two types of evidence a jury may consider in properly finding the truth as to the facts in this case. One is direct evidence — such as testimony of an eyewitness. The other is indirect or circumstantial evidence — the proof of a chain of circumstances which points to the existence or non-existence of certain facts. As a general rule, the law makes no distinction between direct and circumstantial evidence but simply requires that the jury find the facts from the evidence, both direct and circumstantial. You will rely on your own good judgment and common sense in considering the evidence and determining the weight to be given it.

You are not to consider as evidence any testimony or document to which the Court sustained objections and ruled inadmissible. While you should consider only the evidence admitted in the case, you are permitted to draw reasonable inferences and deductions from the evidence. The expression "to draw an inference" means to find that a fact exists based upon proof of another fact. An inference may be drawn only if it is reasonable and logical, not if it is speculative. Therefore, in deciding whether to draw an inference, you must consider all the facts in light of reason, common sense and experience. After you have done that, the question whether to draw a particular inference is for you to decide.

If testimony or exhibits have been received only for a limited purpose, you must follow the limiting instructions I have given you, and only consider such evidence for that limited purpose.

Anything you may have seen or heard when the Court was not in session is not evidence. You are to decide the case solely on the evidence received at the trial.

It is the function of the jury to determine the credibility of each witness and to determine the weight to be given the witness's testimony. Consider all of the circumstances under which the witness testified, the interest, if any, the witness has in the outcome of this case, the witness's appearance and demeanor while on the witness stand, the witness's apparent candor and fairness, or lack thereof, the reasonableness or unreasonableness of the witness's ' testimony, and the extent to which the witness is contradicted or supported by other credible evidence.

In determining the weight to give to the testimony of a witness, you should ask yourself whether there was evidence tending to prove that the witness testified falsely concerning some important fact, or whether there was evidence that at some other time the witness said or did something, or failed to say or do something, that was different from the testimony the witness gave before you during the trial.

A witness may be discredited, or "impeached," by contradictory evidence, by showing that he or she testified falsely concerning a material matter, or by evidence that at some other time the witness said or did something, or failed to say or do something, which is inconsistent with the present testimony of that witness. If you believe that any witness has been impeached, then it is your exclusive province to give the testimony of that witness such credibility or weight, if any, as you think it deserves.

You should keep in mind, of course, that a simple mistake by a witness does not necessarily mean that the witness was not telling the truth as he or she remembers it, because people may forget some things or remember other things inaccurately. So, if a witness has made a misstatement, you need to consider whether that misstatement was an intentional falsehood or simply an innocent lapse in memory; and the significance of that may depend on whether it has to do with an important fact or with only an unimportant detail.

The testimony of a single witness, which produces in your minds the belief in the likelihood of truth, is sufficient for the proof of any fact, even though a greater number of witnesses may have testified to the contrary, if you believe that witness and have considered all the other evidence.

Certain testimony has been presented to you through deposition. As I have previously instructed you, a deposition is the sworn, recorded answers to questions asked a witness in advance of the trial, before a court reporter. Questions and answers from various depositions were read or shown to you in this trial. This deposition testimony is entitled to the same consideration as if the witnesses had been present and had testified from the witness stand, in court.

Certain charts and summaries have been shown to you in order to help explain the facts disclosed by the books, records, and other documents received into evidence in the case, as well as the testimony of some of the witnesses. If you believe such charts or summaries do not accurately reflect facts or figures shown by the evidence in this case, you should disregard them.

Do not let bias, prejudice or sympathy play any part in your deliberations. The parties to this litigation must be treated exactly alike insofar as their rights are concerned.

Any notes that you have taken during this trial are only aids to memory. If your memory should differ from your notes, then you should rely on your memory and not on the notes. The notes are not evidence. A juror who has not taken notes should rely on his or her independent recollection of the evidence. Notes are not entitled to any greater weight than the recollection or impression of each juror about the testimony.

Throughout this charge, I will refer to Plaintiff Quick Technologies, Inc. as "QTI" or as "Plaintiff" I will refer to Defendant Sage U.S. Holdings, Inc. and Defendant Sage Software, Inc. by their full names or, where appropriate, collectively as "Defendants."

The parties have agreed, or stipulated, that the following are the facts, and therefore you must take them as proven: (1) QTI is the registrant of Federal Trademark Registration No. 2,143,828 SAGE INFORMATION SYSTEM on the principal register of the U.S. Patent and Trademark Office; (2) Defendant Sage U.S. Holdings, Inc. sells software for use on computers including the products known as TIMESLIPS, TIME SHEET, CARPE DIEM and TELEMAGIC; (3) Sage Software, Inc. sells software for use on computers including the products known as DacEasy, MAS 90, BUSINESS WORKS and ACUITY; (4) Sage U.S. Holdings, Inc. is indirectly owned by Sage Group plc, an English company; and (5) Sage Software, Inc. is indirectly owned by Sage Group plc, an English company.

Except where expressly stated otherwise in these Instructions, Plaintiff has the burden of proof by a preponderance of the evidence. Preponderance of the evidence simply means evidence that persuades you that a claim is more likely true than not true. In determining whether any fact has been proved by a preponderance of the evidence in the case, you may, unless otherwise instructed, consider the testimony of all witnesses, regardless of who may have called them, and all exhibits received in evidence, regardless of who may have produced them, and the stipulations. If the proof fails to establish any essential part of Plaintiffs claim by a preponderance of the evidence, you should find for the Defendants as to that claim.

Do not speculate as to what a party's ultimate recovery may or may not be. Any recovery will be determined by the Court when it applies the law to your answers at the time of judgment. Do not add any amount for interest on damages, if any.

Answer each question from the facts as you find them. Do not decide who you think should win and then answer the questions accordingly. Your answers and your verdict must be unanimous.

TRADEMARK INSTRUCTIONS

THEORY OF TRADEMARK INFRINGEMENT

In this case, the Plaintiff, QTI, seek to recover money damages and injunctive relief from the Defendants Sage U.S. Holdings, Inc. and Sage Software, Inc. for what QTI claims to be a trademark infringement in Defendants' use of SAGE in connection with the sale of software within the United States. The legal principles discussed in these instructions regarding the law of trademark

infringement have resulted from attempts to balance the following objectives:

(1) protecting the public from being confused, misled or deceived about the nature and source or sponsorship of the goods and services they buy;

(2) protecting the property rights of a business to identify itself and its goods and services to the public;

(3) trying to achieve these goals without injury to the free-market economic system, which encourages fair competition among those providing goods and services.

Because of the varying objectives involved in cases of this type, each such case must be decided largely on its specific facts, and you, the jury, are the judge of the facts.

DEFINITION OF TRADEMARK

The term "trademark" includes any word, name, symbol, device, or any combination of them adopted and used by a business to distinguish its goods or services from those manufactured or sold by others and to indicate the source of the goods or services.

The main function of a trademark is to identify and distinguish goods or services as a product of a particular business and to protect that business's goodwill against the sale of another's product or service as its own.

A trademark is also a merchandising symbol that helps a prospective purchaser to make purchasing selections. A trademark signifies that all goods bearing that trademark come from a single source and that all goods bearing the trademark are of an equal level of quality.

OWNERSHIP AND PRIORITY

Federal law recognizes rights in both registered and unregistered trademarks. To assert trademark infringement of either a registered or unregistered trademark, the Plaintiff must show ownership of the asserted trademark by use as a trademark in commerce in connection with the owner's goods or services, before use as a trademark by the Defendants. Proof of use outside the United States may not be considered for either ownership or priority of a trademark under the federal law of the United States.

A notice of publication provides no substantive rights in a requested mark and is not a finding by the United States Patent and Trademark Office that there is no likelihood of confusion. Instead, the federal trademark registration is, if unchallenged, proof of the ownership and validity of the registered mark and of the registrant's exclusive right to use the mark in commerce in the manner stated in the registration. In this case, QTI is the owner of Registration No. 2,143,828 SAGE INFORMATION SYSTEM and Registration No. 2,240,550 SAGE.

1. Registered Trademark Infringement

QTI accuses Defendants of trademark infringement based on Defendants' use of the name and mark SAGE in connection with the sale and advertising of Defendants' various products and services. To prove its claim of registered trademark infringement, QTI must show by a preponderance of the evidence that Defendants' use of SAGE was likely to cause confusion or to cause mistake, or to deceive, with respect to QTI's registered trademarks.

2. Infringement of Unregistered Mark

QTI also claims infringement of unregistered marks that include the word "SAGE." To prevail on its claim for infringement of unregistered marks, QTI must first prove, by a preponderance of the evidence, that its unregistered marks utilizing the word "SAGE" are entitled to protection.

To prove that its unregistered marks are entitled to protection, QTI must show that it has used the marks and that the marks are sufficiently "distinctive" to qualify for trademark protection. A mark that is merely descriptive does not qualify for trademark protection unless it has obtained secondary meaning. The terms "arbitrary," "fanciful," "suggestive," "descriptive," and "secondary meaning" are defined below.

In addition to proving that its unregistered marks utilizing the word "SAGE" are entitled to protection, QTI must also prove that Defendants' use of SAGE was likely to cause confusion, or to cause mistake, or to deceive, with respect to QTI's trademarks.

LIKELIHOOD OF CONFUSION

To prove its claim of trademark infringement, QTI must show that Defendants' use of SAGE was likely to create confusion among consumers as to source, affiliation, or sponsorship of the parties' products. If consumers believe, even though falsely, that the natural tendency of QTI is to expand into the market for the types of goods marketed by Defendants, confusion may be likely. Confusion may also include a mistaken impression that QTI gave Defendants permission to use SAGE, or vice versa. In addition, trademark law protects against confusion in which a person's goods are thought to

originate with, or be sponsored or approved by another person, and the reverse situation, in which the trademark owner's goods are thought to originate with, or to be sponsored or approved by the non-trademark owner.

FACTORS FOR THE JURY'S CONSIDERATION IN DETERMINING WHETHER THERE IS A LIKELIHOOD OF CONFUSION

In determining whether Defendants' use of SAGE or SAGE INFORMATION SYSTEM is likely to cause confusion, or to cause mistake or deceive, you may draw on common sense and experience. In addition to the general knowledge you have acquired throughout your lifetime, you should also consider the factors listed below, remembering that no one factor or consideration is conclusive.

(1) The distinctiveness or strength of QTI's SAGE and SAGE INFORMATION SYSTEM trademarks (the stronger the mark, the more likely is confusion; the weaker the mark, the less likely is confusion).

(2) The degree of similarity or dissimilarity between QTI's SAGE and SAGE INFORMATION SYSTEM trademarks and any trademark used by Defendants, i.e., whether the trademarks used by the respective parties create the same overall impression in their commercial context (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(3) The similarity or dissimilarity of the parties' products (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(4) The similarity or dissimilarity of the parties' retail outlets and purchasers (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(5) The similarity or dissimilarity of the parties' advertising media (the greater the similarity, the more likely is confusion; the greater the dissimilarity, the less likely is confusion).

(6) The Defendants' intent, i.e. whether they intended to benefit from a perceived affiliation with QTI (the existence of such intent is an indication of the likelihood of confusion; the absence of such intent or the existence of good faith, means that this factor is not relevant to the likelihood of confusion).

(7) The extent of actual confusion, if any. In cases of alleged actual confusion, you may consider the context of such actual confusion in determining what weight to give it, including, but not limited to, the care exercised by the allegedly confused person, and the number of confused persons in light of the number of contacts received by the parties. Persuasive evidence of actual confusion is very important in determining the likelihood of confusion.

(8) The existence and extent of uses of similar marks by third parties. The greater the number of similar trademarks already in use on different kinds of goods, the less is the likelihood of confusion. QTI is not obligated to bring suit against all third parties who it believes may be using marks infringing its marks. Although extensive third-party usage of a mark may weaken a mark, such usage does not itself eliminate the mark's ability to be protected. In this regard, a mark which is relatively weak in the overall market for all

goods and services can nonetheless be strong enough to make confusion likely when a defendant uses a similar mark in the same general line of business.

QTI need not prove all or a majority of the above factors. In light of these factors and your common experience, you must determine if consumers, neither overly careful nor overly careless, would be confused as to the origin of the Defendants' products upon encountering the word SAGE in the Defendants' advertising, or would be confused by the Defendants' use of SAGE as to an association or affiliation between the Defendants and QTI, or an endorsement, approval or sponsorship of the Defendants ' products by QTI.

STRENGTH AND DISTINCTIVENESS OF MARKS

Marks have traditionally been arranged into four categories of generally increasing distinctiveness: (1) generic, (2) descriptive, (3) suggestive; and (4) arbitrary/fanciful. This hierarchy determines the strength of the trademark, which as you will see is a factor in deciding on likelihood of confusion. Generic marks cannot be trademarked. Marks that are found to fall in categories (3) and (4) are considered inherently distinctive, because their intrinsic nature serves to identify a particular source of a product or service. In contrast, descriptive marks are entitled to protection, but only if they have come to be uniquely associated with a particular source, thereby acquiring a secondary meaning.

We speak of strong and weak marks in terms of the amount of use necessary to create protected rights. Words which are coined, fanciful or arbitrary are distinctive almost from their first use. Suggestive words

are also protected as trademarks when used distinctively for particular products.

A coined word is an artificial word which has no language meaning except as a trademark. "Exxon" is a coined word used by an oil company.

A fanciful word is like a coined word in that it is invented for the sole purpose of functioning as a trademark and it differs from the coined word only in that it may bear a relationship to another word or it may be an obsolete word. "Fab" is a shortened version for fabulous and is a fanciful word used for detergent.

An arbitrary word is one which is in common linguistic use but when used with the goods in issue it neither suggests nor describes any ingredient, quality or characteristic of those goods. "Old Crow" for whiskey is an example of an arbitrary term.

A suggestive word is one which suggests what the product is without actually being descriptive of it. "Stronghold" for threaded nails is suggestive of superior holding power.

A merely descriptive word is one which draws attention to the ingredients, qualities or nature of the product. Words which are merely descriptive do not obtain protection solely from their use as a trademark. Such words must first acquire distinctiveness from the effect of the owner's efforts in the marketplace. This is what is called the development of secondary meaning; that is, a merely descriptive term used as a trademark must have been so used that its primary significance in the minds of the consuming public is not the product itself but the identification of it with a single source. "TENDER

VITTLES" for cat food is an example of a descriptive mark.

Question No. 1:
Has QTI proven that Defendants have used in commerce the word SAGE in connection with the sale, offering for sale, distribution or advertising of any goods or services, in a manner which is likely to cause confusion, to cause mistake or to deceive, thereby infringing upon QTI's registered trademarks SAGE or SAGE INFORMATION SYSTEM?

Answer "Yes" or "No"

Sage U.S. Holdings, Inc.: YES

Sage Software, Inc.: YES

Question No. 2:

Has QTI proven that Defendants have used in commerce the word SAGE in connection with the sale, offering for sale, distribution or advertising of any goods or services, which is likely to cause confusion, to cause mistake or to deceive, thereby infringing upon a prior use by QTI of an unregistered trademark containing the word SAGE?

Answer "Yes" or "No"

Sage U.S. Holdings, Inc.: NO

Sage Software, Inc.: YES

WILLFUL INFRINGEMENT

QTI claims that the Defendants willfully infringed its trademark rights. "Willfully" means to do an act

voluntarily and intentionally and with the specific intent to cause the likelihood of consumer confusion.

If you answered Questions No. 1 or 2 "Yes" as to one or both of the Defendants, then answer the following question as to that Defendant. Otherwise, do not answer the following Question.

Question No. 3:

Has QTI proven that in connection with the use of the name SAGE in the United States the Defendants intended to cause confusion, to cause mistake or to deceive?

Answer "Yes" or "No"

Sage U.S. Holdings, Inc.: NO

Sage Software, Inc.: NO

DAMAGES

You should not interpret the fact that I have given instructions about QTI's claim for damages as an indication in any way that I believe that QTI should or should not win this case. I am instructing you on damages only so that you will have guidance in the event you decide that the Defendants are liable and that QTI is entitled to recover money from the Defendants.

If you have found that the Defendants' infringement, if any, was willful, you may award QTI the profits earned by the Defendants from the infringing activity. In assessing profits, QTI is only required to prove the amount of Defendants' total gross sales. Total gross sales are the starting point that you are to use in calculating Defendants' profits. The Defendants have the

burden of proving sales, if any, that were not attributable to the infringement. You should deduct from the total gross sales attributable to the alleged infringement any allowable costs and expenses that you find Defendants have proven by a preponderance of the evidence.

If you answered Question No. 3 "Yes" as to one or both of the Defendants, then answer the following question as to each such Defendant. Otherwise do not answer the following questions.

Question No. 4:

State the damages, if any, you award QTI by reason of the profits made by the Defendants from the sale of software products since each Defendant began using SAGE in commerce.

Answer in dollars and cents, or none:

Sage U.S. Holdings, Inc.:

Sage Software, Inc.:

POST-ARGUMENT INSTRUCTIONS

You are the sole and exclusive judges of the facts. You should determine these facts without any bias, prejudice, sympathy, fear, or favor, and this determination should be made from a fair consideration of all the evidence that you have seen and heard in this trial. Do not speculate on matters that are not in evidence. Keep constantly in mind that it would be a violation of your sworn duty to base a verdict on anything but the evidence in the case. Your answers and verdict must be unanimous; that is, all of you must agree

to each of your answers. It is your duty, as jurors, to consult with one another and to deliberate with a view to reaching agreement, if you can do so without violence to individual judgment. You must each decide the case for yourself, but you should do so only after you have considered all the evidence, discussed it fully with the other jurors, and listened to the views of your fellow jurors.

In the course of your deliberations, do not hesitate to reexamine your own views, and change your opinion, if the discussion persuades you that you should. But do not come to a decision simply because the other jurors think it is right. You will carefully and impartially consider all the evidence in the case, follow the law as stated by the Court, and reach a just verdict, regardless of the consequences.

You will now retire to the jury room. In a few minutes I will send to you this charge and the exhibits the Court has admitted into evidence, upon which you should select your presiding juror and commence your deliberations.

If during the course of your deliberations you wish to communicate with the Court, you should do so only in writing by a note signed by the presiding juror. I will then respond as promptly as possible, either in writing or by having you return to the courtroom so that I can address you orally. I caution you, however, with respect to any message or question you might send, that you should never state or specify your numerical division at the time.

During your deliberations you will set your own work schedule, deciding for yourselves when and how frequently you wish to recess and for how long.

After you have reached your verdict, you will return this charge together with your written answers to the foregoing questions. Do not reveal your answers to anyone besides other members of the jury until such time as you are discharged, unless otherwise directed by me.

Your presiding juror will sign in the space provided on the following page after you have reached your verdict.

DATED: April 25, 2001.

BARBARA M.G. LYNN
UNITED STATES DISTRICT JUDGE
NORTHERN DISTRICT OF TEXAS

VERDICT OF THE JURY

We, the jury, have answered the above and foregoing questions as indicated, and herewith return the same into Court as our verdict.

DATED: April 26, 2001.

PRESIDING JUROR

No. 01-11197

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

QUICK TECHNOLOGIES INC
Plaintiff - Appellant

v.

THE SAGE GROUP PLC; SAGE US HOLDINGS INC
Defendants – Appellees

QUICK TECHNOLOGIES INC
Plaintiff - Appellant

v.

SAGE SOFTWARE INC
Defendant – Appellee

Appeal from the United States District Court for the
Northern District of Texas, Dallas

ON PETITION FOR REHEARING

Before DeMOSS, STEWART, and DENNIS, Circuit Judges.

PER CURIAM:

IT IS ORDERED that the petition for rehearing is DENIED.

ENTERED FOR THE COURT:
United States Circuit Judge

Civil Action No. 3-98CV1218-M (Lead)
and
Civil Action No. 3-99CV00903-M (Consolidated)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

QUICK TECHNOLOGIES, INC.,
Plaintiff,

v.

THE SAGE GROUP PLC and
SAGE U.S. HOLDINGS, INC.,
Defendants.

Filed May 30, 2001

PERMANENT INJUNCTION

The Court having considered Plaintiff Quick Technologies, Inc.'s ("QTI") Motion for Permanent Injunction, the pleadings filed in this cause, the testimony during trial, the jury's verdict of April 26, 2001, the arguments of counsel during the May 17, 2001 injunction hearing, and good cause appearing therefore,

IT IS ORDERED that Defendant Sage Software, Inc. its officers, directors, agents and all others in privity with it (collectively "SSI") are permanently enjoined from:

(a) using "Sage" or "Sage Information System" in any manner in connection with the software products or services of SSI, except as specifically permitted by this Order;

(b) authorizing, inducing or encouraging others, including SSI's resellers, to market, advertise, offer for sale or sell any software products or related services using "Sage" or "Sage Information System";

(c) Defendant SSI is not required to change its corporate name. However, if Defendant SSI does not change its corporate name, Defendant SSI may not use its corporate name as a trademark and for marketing purposes, it may use its corporate name only by stating the corporate name, in a font of no more than seven points, on the back of packaging of its products, and in no other manner.

(d) If Defendant SSI does not change its corporate name, then when referring to itself, Defendant SSI shall only use one of the following designations: its full corporate name, "Sage Software, Inc.," the three-letter abbreviation "S SI," or some other designation that does not include "Sage." When answering calls, SSI shall answer the phone with "SSI" or some other designation that does not include "Sage." SSI may not use any website which utilizes "Sage" in its domain name.

(e) Defendant SSI is specifically authorized to refer to itself as a subsidiary of Sage Group plc, so long as the reference occurs in a situation where SSI is permitted to use its corporate name and SSI uses both its entire name and Sage Group plc's entire name. Specifically, SSI may use the following phrase "Sage Software, Inc., a subsidiary of Sage Group plc." Defendant SSI may not use the Sage logo as part of any reference to itself or Sage Group plc.

(f) To the extent permitted by its existing contractual agreements or business relationships, Defendant SSI shall instruct its value added resellers not

to use "Sage" or "Sage Information System" in any manner in connection with the value added resellers' marketing, advertising or promotion of SSI's products and services.

Notwithstanding the foregoing, SSI may maintain links from the website of Sage Group, plc, provided that any link to an SSI website does not link to a domain name incorporating the word "Sage."

IT IS FURTHER ORDERED that Defendant SSI has until January 2, 2002, to comply with the Permanent Injunction provisions listed above. If on or after January 2, 2002, Defendant SSI shall still have marketing, advertising and/or packaging materials using Sage or Sage Information System, all such marketing, advertising and packaging materials shall be destroyed.

IT IS FURTHER ORDERED that no later than January 4, 2002, Defendant SSI shall file with the Court and serve upon QTI a report in writing and under oath setting forth in detail the manner and form in which Defendant has complied with this Permanent Injunction.

IT IS FURTHER ORDERED that the Court shall retain continuing jurisdiction over this matter and either party may upon good cause shown and proper notice to the opposing party move to reopen the matter.

SIGNED this 30 day of May, 2001.

BARBARA M. G. LYNN
UNITED STATES DISTRICT JUDGE

Civil Action No. 3-98CV1218-M (Lead)
and
Civil Action No. 3-99CV00903-M (Consolidated)

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

QUICK TECHNOLOGIES, INC.,
Plaintiff,

v.

THE SAGE GROUP PLC and
SAGE U.S. HOLDINGS, INC.,
Defendants.

Filed May 30, 2001

PERMANENT INJUNCTION

The Court having considered Plaintiff Quick Technologies, Inc.'s ("QTI") Motion for Permanent Injunction, the pleadings filed in this cause, the testimony during trial, the jury's verdict of April 26, 2001, the arguments of counsel during the May 17, 2001 injunction hearing, and good cause appearing therefore,

IT IS ORDERED that, with respect to its TeleMagic product and any other general business software marketed with any reference to "Sage," including any reference to Sage U.S. Holdings, Inc.'s corporate name, Defendant Sage U.S. Holdings, Inc. its officers, directors, agents and all others in privity with it are permanently enjoined to include on all promotional material, descriptive materials, advertising materials and product

packaging, including any websites, a disclaimer as follows:

"Sage U.S. Holdings, Inc. and its products are not affiliated in any way with the SAGE products of Quick Technologies, Inc. of Dallas, Texas."

This injunction does not require Defendant Sage U.S. Holdings, Inc. to include the disclaimer on materials with respect to Timeslips, Timesheets, Carpe Diem, or other timekeeping products of Sage U.S. Holdings, Inc.

For the purposes of this Order, Defendant Sage U.S. Holdings, Inc.'s value added resellers shall not be deemed to be in privity with Defendant Sage U.S. Holdings, Inc.; and

To the extent permitted by its existing contractual agreements or business relationships, Defendant Sage U.S. Holdings, Inc. shall instruct its value added resellers that are authorized to sell Telemagic to use the same disclaimer language quoted in the last paragraph of page 1 in any manner in connection with the value added resellers' marketing, advertising or promotion of Sage U.S. Holdings, Inc.'s TeleMagic products and general business software which Defendant Sage U.S. Holdings, Inc. might develop in the future.

IT IS FURTHER ORDERED that Defendant Sage U.S. Holdings, Inc. has until January 2, 2002, to comply with the Permanent Injunction provisions listed above. If on or after January 2, 2002, Defendant Sage U.S. Holdings, Inc. shall still have marketing, advertising and packaging materials using Sage and not including the disclaimer stated above, all such marketing, advertising and packaging materials shall be destroyed.

IT IS FURTHER ORDERED that no later than January 4, 2002, Defendant Sage U.S. Holdings, Inc. shall file with the Court and serve upon QTI a report in writing and under oath setting forth in detail the manner and form in which Defendant has complied with this Permanent Injunction.

IT IS FURTHER ORDERED that the Court shall retain continuing jurisdiction over this matter and either party may upon good cause shown and proper notice to the opposing party move to reopen the matter.

SIGNED this 30 day of May, 2001.

BARBARA M.G. LYNN
UNITED STATES DISTRICT JUDGE

ATTORNEY DOCKET NO: T-49,350

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE TRADEMARK TRIAL AND APPEAL BOARD

Applicant : Quick Technologies Inc.
Serial No. : 74/647-960
Filed : May 17, 1995
Mark :SAGE INFORMATION SYSTEMS
Published : January 23, 1996
Hon. Commissioner of Patents
and Trademarks
Box TTAB FEE
Washington, D.C. 20231

NOTICE OF OPPOSITION

The Sage Group plc, a company organized and existing under the laws of England and Wales (referred to as "SAGE") believes that it would be damaged by the registration of the mark shown in the above-identified application, and hereby opposes same, pursuant to 15 USC 1063 and 37 CFR 2.104.

As grounds for opposition, it is alleged that:

(1) SAGE is and has been engaged in the sale and marketing of identical or highly related goods to those recited by applicant in its application to register since a time prior to the date of first use alleged by applicant in its application for registration.

(2) SAGE is and has been engaged in the manufacturing and distribution of software goods in commerce under the trademark SAGE since a date prior to the first use alleged by the Applicant. SAGE has continuously sold goods under its SAGE trademark since that time.

(3) SAGE has used its mark in commerce in or with the United States and has acquired a valuable goodwill in connection with the SAGE mark.

(4) Applicant's mark is confusingly similar to SAGE's trademark and is likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake or to deceive. 15 USC 1052(e).

(5) Applicant's mark makes a highly similar commercial impression to Opposer's mark due to its inclusion of Opposer's mark. The predominant portion of Applicant's mark is the term "SAGE' which is Opposer's mark. The additional terms '9nformation" and "system" do not change the connotation of the mark. Applicant's mark is therefore virtually identical in connotation, since the descriptive terms "information" and "system" simiply modify the term SAGE, and have been disclaimed by Applicant. Additionally, the overall commercial impression of applicant's mark, when applied to the same or similar goods, would cause confusion or be likely to cause confusion, mistake, or deception.

(6) On information and belief, Applicant uses its confusingly similar mark with respect to the services outlined in application serial no. 74/647,960, which would cause confusion.

(7) Applicant's mark SAGE INFORMATION SYSTEMS so resembles SAGE's previously used and not abandoned SAGE trademark, as to be likely to cause confusion, or to cause mistake or to deceive.

OPPOSER SAGE prays that this application Serial No. 74/674,960 be refused, that no registration be

issued thereon to Applicant and that this Opposition be sustained in favor of SAGE.

Respectfully submitted for
Opposer. The Sage Group plc
Jess M. Collen

DATED:

BOX 306
SCARBOROUGH STATION
SCARBOROUGH, NEW YORK
9 14-941 -5868
January 17, 1997

SHOULD ANY OTHER FEE BE REQUIRED, THE PATENT AND TRADEMARK OFFICE IS HEREBY REQUESTED TO CHARGE SUCH FEE TO OUR DEPOSIT ACCOUNT 03-2465.

I HEREBY CERTIFY THAT THIS CORRESPONDENCE IS BEING DEPOSITED WITH THE UNITED STATES POSTAL SERVICE AS EXPRESS MAIL REGISTRATION NO. EM424748640US IN AN ENVELOPE ADDRESSED TO: COMMISSIONER OF PATENTS AND TRADEMARKS, WASHINGTON, D.C. 20231, on January 17, 1997.
By:
Date: -

Vol. 1 - 170

BY MR. STORM:

Q. Please introduce yourself to the jury.

A. My name is Eric Natinsky.

Q. What is your current position with QTI?

A. I'm president of the company.

Q. How long have you held that position?

A. Since the company was formed in 1992.

Q. Were you involved in the formation of QTI?

A. Yes, I was. It was formed with myself and my parents and my brother.

Q. What led to the formation of QTI?

A. My parents had a supplier company in the same industry, in the promotional products industry, and they made imprinted goods and like flashlights and mouse pads, things of that nature. And since they were familiar with the industry, we knew how the industry worked, and I worked with their company quite a bit growing up, and we realized that the only major player, really the only player, in that industry was ASI in terms of information. That's Advertising Specialty Institute.

And so basically they had a monopoly over all the information sources in the industry. And their products to us seemed archaic. They had a CD ROM product, they hadn't gone on line yet, and we wanted to provide better information to the industry, so that was a start of the company.

Q. What were you doing at that time?

0172

school?

A. It was basically the same as college. I didn't have quite as much time as I had hoped, but I spent as much time as I could doing programming, some marketing, and general oversight of what was going on, but nothing on the day-to-day operations.

Q. What is your current involvement in QTI?

A. It's basically the same. I still do almost all the programming, and I don't really do anything with the management, a little bit of marketing here and there.
Q. Who else participates in running QTI?
A. My whole family does. My brother basically handles the day-to-day operations, my dad handles the sales and marketing functions for the company, and my mom does – doesn't do as much, but some accounting like the payroll and the accounts payable and accounts receivable, that kind of thing.
Q. Could you describe the promotional products industry as experienced it to the jury?
A. Yes. The promotional products industry is basically the industry that provides anything that's imprinted. So it can be – common examples are coffee mugs or flashlights or key chains or pens that has a company logo on it. And they are used almost always either to reward customers or to try to market someone's products to potential customers, or it's like an incentive to employees. A lot of companies will give their

and e-commerce.
Q. Are there any other companies providing similar services in the promotional products industry?
A. Yes. Our biggest competitor is ASI, and they provide virtually all of the same types of services. There's obviously differences in individual products, but they provide all of those types of services.
Q. What's the name that you use to describe your family of products?
A. We have used Sage and Sage Information System.
Q. How long have you been using those names?
A. We have been using both those names since early 1992.

Q. When did QTI first start using the name Sage Information Systems?
A. It was late 1991, early 1992. As soon as the product was developed.
Q. Was that the same time that Sage was first used?
A. Yes. We used Sage Information Systems as – kind of a long time, but Sage was – you know, obviously Sage Information Systems is short of long, so everybody called it Sage. And our initial – from the very beginning we had Sage in our marketing materials.
Q. Plaintiff's Exhibit 1, can you identify this for the jury?
A. Yes. This is our first –

0177

THE COURT: Excuse me just a minute. Ladies and gentlemen, let me just explain to you so you will understand. If the witness is not looking at you, he has a copy of the exhibit on the monitor. I obviously have a monitor over here. You don't have a monitor because you have the big screen. So if the witness is looking at the monitor, you will understand why he's doing that. Thank you.
BY MR. STORM:
Q. Can you explain what this is to the jury?
A. This is an example of our first letter that we sent out introducing our Sage Information Systems. Initially the very first part of the Sage Information Systems was a credit service where suppliers in the promotional products industry could get credit information about distributors. So similar to like Dunn & Bradstreet or something like that. And this is announcing that part of our service, and it's – this was sent out in early 1992.
Q. How was it distributed?
A. This was sent out via direct mail.
Q. What was ASI providing in this category at the time?

A. They had their own credit service that, again, like most of the products of that time, they were the only ones

0178

providing to the industry. And it was basically you could get it either with book format or on antiquated dial-up connection with limited information.
Q. I realize this is difficult to read, Mr. Natinsky, but can you tell what you were identifying as a trademark at the time you sent this material out?
A. Yes. It says Sage is a mark of Quick Technologies Inc.
Q. You have got Plaintiff's Exhibit 5 on the screen. Can you explain to the jury what this is?
A. Yes. In August of 1993 we added a new part of Sage Information Systems. Actually in mid 1992 before this was sent out, we added our distributor research product, which is what became or – you know, biggest product. And that allowed distributors to find items in the industry, and that was similar to the product that ASI offers called ESP, which was a CD ROM based product. And our new Sage research tool was different because it was dial up. It was before the Internet, but it's a dial-up connection where people can call on an 800 number or direct dial long distance into our system and then get product informs on the industry. And the big advantage to that is that it's updated more often. The CD ROM obviously has to be updated every few months whenever they send out a new disk. So this particular document here was sent out in August of 1993, and it's announcing a new feature to the research

0179

system which allowed images to come through on the dial-up line as well as just text. So this gave actually a catalog page from the supplier's catalog look where they could see what the product looked like in addition to just a description of what the product was.

Q. What was the benefit of being able to see the catalog page in contrast to what ASI was providing at the time?

At the time ASI was providing their research tool ESP on a CD ROM, so they were limited by size and technology at the time, so the pictures looked really bad. They were fuzzy and small and they only had a picture of the actual item instead of the whole page from the supplier's catalog. So what we wanted to provide was the full catalog page and a better resolution. And since we were doing everything through a dial-up line, we weren't limited by size. So we could make the pictures as detailed as we wanted, even though the file size got bigger. Obviously, for distributors in the industry that was important, because they could have a better picture of the item to show potential purchasers.

Q. Did ASI have other products at the time that QTI didn't provide?

A. Yes. ASI at the time had an accounting package, and had had an accounting package for a long time. And they had a book, which was a research book that was in hard copy format instead of electronic. It was pretty popular. And they had

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a few other services too like that.

Q. How was it distributed?

A. This was distributed by fax and direct mail.

Q. Could you please explain Exhibit 8 to the jury?

A. Yeah. This is a flier announcing another new service that we offered as we expanded the original Sage system

to offer more and more functions. This is when we added advertising to the system so suppliers could place ads on the system and when the distributor was looking for a product, they could see an ad from a supplier while they were waiting. This feature was added in 1995.
Q. Could you describe how the advertising feature worked?
A. Yes. Basically the images I was talking about, which were great for the distributors, they also took a long time to transfer to the modem, because modem speeds were very slow at the time, and so there was a lot of dead time on a user's screen while they were waiting for an image to show up. So we initially filled that dead space on the screen with tips on how to use Sage and, you know, other marketing materials from us. This would be a good place to actually put ads and increase our revenue from suppliers so suppliers could put text – at the time it was only text-based ads on our system. And while a distributor was using the service and waiting for a picture to come up, they would be staring at the monitor so they could see the text-based ads like a precursor -

to what banner ads are today on the Internet.
Q. How was that Exhibit 8 distributed?
A. This was sent by direct mail and fax also.
Q. Could you explain to the jury this Exhibit 12?
A. Yes. In 1996 we added another new product. This was a catalog library. Basically it took all of the suppliers' catalogs, paper catalogs that had all the products in them and put them on CD ROMs.
And the main reason that this product was added was to give distributors an easier access without using a modem to all the suppliers' catalogs so they could go – it would work just like a file in the woodwork where you

had everything sorted alphabetically and you could find a certain supplier. Like you go to a 3M catalog, pull out the drawer, find the 3M catalog and then flip through it to just look at items. But it didn't have the research capabilities that our on-line system had.

Q. Did the Sage catalog library interface with the on-line research capabilities?

A. Yes, it did. This product was – it could be used as a stand-alone catalog library, but one of the main reasons that it was introduced was, again, because of the slow download times of the images. This interfaced with our other Sage Online system to allow people to do their research on line through the dial-up connection. Then when they needed a

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Q. Can you identify Exhibit 37?

A. This is our trademark registration at the Patent and Trademark Office granted to QTI for the marks Sage Information Systems.

Q. Why did you file a registered Sage Information Systems?

A. We gave our – some samples of how we were using the mark to our trademark attorney, and the trademark attorney got this registration for us.

Q. When did you first become aware of the defendants' parent corporation, Sage Group PLC?

A. We filed for this registration in May of 1995, and about approximately a year after that the mark was published proposition to see if anybody was going to oppose the mark.

And soon after it was published proposition we were contacted by the defendants and –

MR. KANTNER: Excuse me, your Honor. Objection, I'm not sure this is a direct contact with this witness and, therefore, I believe this to be hearsay.

THE COURT: Are you reporting something of which you had personal knowledge?
THE WITNESS: Not about the contact, no.
THE COURT: All right. Sustained.
BY MR. STORM:
Q. What was your involvement in 1996 in the discussions with the Sage Group?

0196

A. We eventually we got some – well, I reviewed some of the materials that were sent to us by the defendants. They – I had known for about a year after they said they were going to oppose the mark that we kept giving them extensions, and there were four or five of those, and to extend the period for them to oppose our mark. And we kept saying throughout that time that we wanted to see some evidence of their prior use in the U.S. And eventually about a year later we told them that we weren't going to give them anymore – -
MR. KANTNER: Again, unless he's going to testify he did this, I object to this as being hearsay and lack of foundation.
THE COURT: Well, if you're familiar with what your company did, you may testify about it. To that extent, the objection is overruled.
A. And we told the defendants that we wanted to see a prior use before we were going to agree to any kind of agreement.
And it turns out that the company did receive some information after we told them we weren't going to grant any more extensions. And we received three pages from magazines ads that turned out were British publications that had nothing to do with the United States. And we felt like they were trying to trick us by giving us this when obviously it was irrelevant to the

trademark registration in the U.S. So at that point they filed an opposition to our mark and

0171

to talk about this opposition.

A. Okay.

Q. And the question was, do you recall more than one conversation with him? And you were saying that, I believe, there were only one, but we're laying the foundation. What did you know about the extension of time before Mr. Collen called you at the time?

A. I just knew that we had received it.

Q. Did you know anything about Sage Group or U.S. Sage at that time?

A. No.

Q. Then you received a call from Mr. Collen, correct?

A. Correct.

Q. What did he say to you about the extension of time?

A. All right. Anyway, he wanted to talk over with me what his client did and what his clients' marks were and what my client did and what its trademark was to see if there was going to be a problem, you know, the problem that they had requested time to consider with that request.

Q. And what did he say his clients did?

A. He told me that his client makes accounting software for big companies, what we would call a Fortune 500 company, you know, names we would all recognize like Ford or General Electric or TI, something like that.

0172

Q. What did you tell him QTI did?

A. I told him about the system that I was aware of back in '95 or '96, which was an Internet type computer system that you could log on to and find out things

about different promotional type products that Quick had available.

Q. Do you know how much before you sent this letter to Mr. Collen the phone call occurred?

A. I don't know exactly how long but, I mean, it was quickly.

Q. Other than conversations with the Natinkys about the phone call, did you do anything else to gather information about Sage Group or U.S. Sage before preparing this letter?

A. I can't remember if I had Internet access in my office back then. I think I did. I probably went on the Internet to see what I could find out just real quickly, just like anybody would.

Q. Do you recall learning anything that was different from what Mr. Collen had told you?

A. No, I couldn't find anything actually.

Q. In your letter you told him I'm confident that you and your client will agree that there is no likelihood of confusion, thus obviating the need for an opposition. Had Mr. Collen told you anything about their activities in the U.S.?

A. Yeah. He told me that they had sold their products in

0173

the U.S.

Q. And what was the basis for your statement in your letter to him that there was no likelihood of confusion?

A. It was based on my understanding of what the differences between the products were.

Q. And had explained that difference to him on the phone?

A. Well, we had actually had a discussion about it, because that's kind of a key – you know, that's one of the key things you look at in trying to determine if there is a problem or not.

Q. Did he indicate in the first call what his client was looking for in terms of a resolution?
A. Well, no, I don't think we got that far. This was a real preliminary phone call.
Q. Is there any relationship between your conclusion that there is no likelihood of confusion and what he told you his client's activities in the U.S. were?
A. Yeah. There – yeah, one caused the other. I mean, one was based on the other.
Q. Attached to your letter was some information about Quick Technologies' products at the time. Had Mr. Collen asked for this information?
A. Yeah – well, I don't know if he asked for it or if I suggested it. In this particular instance, as in other times in the

0175
Sure.
Q. – you just don't know for sure if it was before this letter?
A. Right.
Q. This letter was dated May 14th, 1996, and then shortly thereafter another extension of time was filed, correct?
A. Correct.
Q. This is the second extension of time?
A. I don't know the numbers exactly. It could be. The first one was for 90 days, and that was in February, so this would be the second one, yeah.
Q. And this indicates that you had consented to the extension of time, correct?
A. Right.
Q. This is Plaintiff's Trial Exhibit 201.
Can you identify that for us?
A. Yes, that appears to be a letter from Mr. Collen in June of '96.
Q. At the time you receive this letter in June of '96, had

he provided you information about his clients' products or services in the U.S.?
A. I don't think so.
Q. Do you see he's again enclosing a consent agreement? What's your understanding of what happened between the May 14, 1996 agreement and the June 11th letter here?

0183
Q. Does this reflect your insistence that some proof be provided of your rights in the U.S.?
A. Yes, it does.
Q. Do remember having any discussions with him between his November letter and this December letter about that?
A. I don't remember that time frame per se. I know we had discussions about it.
Q. Then you agreed to an eighth extension of time through January the 17th of 1997; correct?
A. That's right.
Q. And when you agreed to this extension had you yet received any proof of use in the United States?
A. No.
Q. Had Mr. Collen indicated to you any concern about the ability to provide that to you yet?
A. No, he hadn't.
Q. This is Plaintiff's Exhibit Trial 206. Can you identify that?
A. Yeah. That's a letter from me the Mr. Collen in January of '97.
Q. As of the time you sent this letter, had you received any proof of use in the United States?
A. No.
Q. What was the purpose of sending this letter?
A. Well, it was just a final reminder that time was running

0184
out and, you know, we had both put a lot of effort into trying to reach a compromise and I would, you know, hate for that to fall through the cracks because of inattention. I just wanted to make sure that he knew that really that was the deadline.
Q. And what you were you looking for from him?
A. I think at that point the only thing left to be done would be for him to show us the proof of use in the U.S. because I had already told him with that last letter that we were ready to sign the deal.
Q. If such proof was provided?
A. That's right.
Q. Do you recall the deadline for the eighth extension was January 17th; is that correct?
A. Right.
Q. Can you identify this letter, which is defendants' Exhibit 101?
A. Yeah. This is a letter from Mr. Collen to me on January 16th, '97.
Q. Was this the first time Mr. Collen had sent you anything which referred to any use by his clients, Sage Group and U.S. Sage, with respect to what they were doing with the Sage mark?
A. That referred to it?
Q. In any way?
A. Well, he had been sending me letters all long saying that

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A. Well, no, I didn't invite him to, but I made it clear that we weren't going to agree to any more extensions.
Q. Did he have any explanation for why he hadn't provided you proof of use in the U.S. at that point?
A. You mean up to that point?

Q. Yeah. When you had this phone conversation with him, after you got his fax with the three pages attached showing activity in the UK –
A. Yes. – and you called him – or he called you, I'm not sure which way that happened. Do you recall who called who?
A. I called him because I was almost outraged at what he had just sent me. And, you know, incredulous really. So I'm sure I called him. He had sent me a fax saying, valla, here's the proof, and then it turned out to be no proof.
Q. Did he have any explanation for why he had done that?
A. Well, I don't know if he explained it or not. It was clear, though, that's all he had.
Q. The letter to you and the phone conversation apparently occurred on January the 16th, and the next day was the deadline for filing the opposition, correct?
A. Right.
Q. And they did file a notice of opposition, correct?
A. Correct.
Q. In the notice of opposition they said Sage is and has

0188

been engaged in the sale and marketing of identical or highly related goods to those recited by applicant in its application to register since the prior to the date of first use alleged by applicant in it's application for registration. Was that statement consistent with what Mr. Collen had been telling you all along during these discussions?
A. Yeah. That's what he had been telling me.
Q. That he had not been able to prove, correct?
A. Correct.
Q. And they went on to say Sage is and has been engaged in the manufacturing and distribution of software goods and commerce under the trademark

Sage since the date prior to the first use alleged by the applicant. Sage has continuously sold goods under its Sage trademark since that time.
Was that also consistent with what he had been saying to you?
A. Yes.
Q. They went on to say Sage has used its mark in commerce in or with the United States and has acquired a valuable good will in connection with the Sage mark.
Was that also consistent with his representations?
A. Yes.
Q. The next paragraph says applicant's mark. That's Quick's mark, correct?
A. Yes, that Quick's mark.

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Q. And in this case that was Sage Information System?
A. Correct.
Q. Is confusingly similar to Sage's trademark and is likely when applied to the goods of the applicant to cause confusion or cause mistake or to deceive. Had you had any other discussions or actually any discussions with Mr. Collen in this entire time period where you specifically talked about likelihood of confusion?
A. (No response.)
Q. Let me say – had Mr. Collen ever told you point blank we say there is a likelihood of confusion?
MR. KANTNER: Objection. He's leading the witness.
THE COURT: Overruled on that question.
A. I don't think he ever – that was really not the focus of our discussions. We were more – I was more interested in what proof they had that they have used the mark in the U.S. prior to our use.
Q. Why were you interested in that –
A. And it was kind of assumed – well, I can't talk about

assumptions. It was our belief that there was a problem with confusion, but the issues were about who used it first and who used it first on what.
Q. But you said to him in your letter of March of '96 that there was no likelihood of confusion. Had you gotten information that changed that?

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answer?
A. Nothing.
Q. Was there eventually a conclusion?
A. Yeah, it was a little strange really. They filed a notice of opposition, which normally starts kind of a complicated –
MR. KANTNER: Objection, your Honor, not talking about procedure.
THE COURT: As to that limited item, the objection is overruled.
A. Okay. You know, normally an opposition proceeding is kind of complicated and papers back and forth and there is deadlines that you have to meet and you have to show your proof as to who was first and who wasn't first. And, you know, their deadline was first, and they didn't do anything at all.
Q. What eventually happened with the opposition?
A. Eventually, we filed a motion with the trademark office saying, look, you know, their deadline has passed and they didn't do anything, you should, you know, decide that we won. And which they did.
Q. And you haven't had any further communication with Mr. Collen since then, have you?
A. No.
MR. STORM: No further questions.

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1 Systems wasn't used after the last product was sold in the U.S. in late '92, early '93, correct?

"A. It may have been distributed in the mark market during '93 with continuing to sell that stock. But certainly in '93 we wouldn't have been promoting that product anymore.
"Q. Would it also be true then that it wouldn't be until late 1997 that the Sage Group used Sage again in the United States?
"A. I'm just trying to think that through on the time line of what was going on. I think from a product point of view, just thinking about a time line, it probably was in 1997. I think the company name was, which was the umbrella company for DacEasy, was used, but probably not by product. "I think we used to have DacEasy products on the shelves, which would say U.S. Sage Inc., which was our holding company for the Dac Business.
16 "Q. And that would have been when that was rolled out in roughly October of '97, correct?
"A. No. No. Sorry. That was from when we bought DacEasy in '91. I was really answering your question about the product Sage, which was '97. But I think your question was did Sage ceased to be terminated in '93 when we didn't have Sage PC Network Systems anymore. I think that is true. But we continued to use during that period USA Sage Holdings for U.S. Sage, our umbrella company for DacEasy and a couple of other businesses that we bought during that period.

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"A. That's right. We had a discussion on branding.
"Q. In between 1991 and this board meeting in 1995, what steps were taken by the board and management to determine whether or not Sage was available as a mark in the United States?
"A. I really can't recall what steps were taken. Our chairman, David Goldman, was very much a driver of branding issues and also – and also, you know, the company secretariat during that period.

"Q. Are you aware of any efforts that were made to determine whether Sage was available in the United States?
"A. In that period?
"Q. Yes.
"A. I'm not aware of any, no.
"Q. Between the December '91 board meeting and the March '95 board meeting, what steps had been taken by the board and management to actually develop an international brand?
"A. I think during that period we had been acquiring a number of, both in France, Germany, particularly in France, and continued our developments in the U.S. And we had started to – probably towards – certainly in 1994-ish, we started to think about an international brand or about developing an international brand at the right time.
"Q. Was the March 1995 meeting the first time that the board had discussed hiring Enterbrand to develop an international

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brand?
"A. It was the first time the board – the board were informed about it. But one of our management committees had been discussing the proposition, lead by the chairman, to appoint an agency to look into this and about board, meaning the board. "It was reported to the board, but we decide that we, being probably David Goldman and myself, to appoint Enterbrand.
"Q. And –
"A. It would have to make a recommendation on the use of group brands.
"Q. And what was the scope of the engagement for Enterbrand?
"A. It was a very broad engagement. We were asking them to look at why we would – why it would be of

benefit to have an international brand about, you know, the type of name and what it would convey to our customers, how it would be styled and put together, how it would look. "And they would have to consider all these issues, including, you know, what the identity would be like to present it to the business at a future date.

"Q. Do you have any idea of what the overall cost was in developing an international brand with Enterbrand?

"A. I think – I don't know what the total of it was. It was segmented up into sort of parcels, depending on what we asked

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them to do.

"The first part was to ask them to review it, then to create an identity to consider how the brand would be to portray to our customers. "So, you know, I really can't recall what the fees were. You know, it would – it was probably started 100,000 pounds as an engagement and went from there.

"Q. What would your estimate be of what the overall cost was, though, understanding that you don't have an exact figure, but what kind of range are we talking about?

"A. Including the implementation?

"Q. Yes.

"A. And what, the cost to Enterbrand?

"Q. What was what your company paid Enterbrand?

"A. Oh, what we paid Enterbrand?

"Q. Right.

"A. I think – I think that would probably have been several 100,000 pounds for what they did. Of course, to the actually implementation of the Sage brand into the market was many millions. So that fee was a relatively

small proportion. But, nevertheless, hundreds of thousands of pounds.
"Q. And when you say many millions for the implementation, can you give me a more concrete range?
"A. Well, as we developed and built the brand this involved, you know, a specific marketing budget for branding exercises

0058
1 "Q. Now, at that point, as of the time of this meeting, what efforts are you aware that were taken to determine if the Sage name was available in the United States?
"A. I don't – I can't recall that.
"Q. Is it your understanding that when we say clear Sage or Sage soft, that's to determine that the name is available in the countries in which you're going to use it as an international brand, correct?
"A. Yeah. I guess that it would have been the responsibility of the company secretariat to do that.
"Q. And would it also be true that as of this time in September of 1996 that the Sage Group now has a set plan to roll out its international brand in early 1997? Correct?
"A. That was our intention, yes.
"Q. Based on Enterbrand's research and findings, Sage Group did ultimately decide to use Sage as the international brand, correct?
"A. That is correct.
"Q. Were you involved in that decision?
"A. I would have been involved in the final say so, yes.
"Q. And why was Sage chosen?
"A. We believed that – you know, we have been using it in the UK for 15 years – we believe that it conveyed the sort of right values that we wanted to portray to our

customers. We also believed quite strongly from the advice we had taken that

0059

the customers we target, smaller to medium sized businesses, like to buy from an international brand, a company that's got, you know, a strong corporate background and strong financial stability. And we wanted to try to bring together many of the brands that we've acquired over the years together and use it with the international Sage brand, which we believed that fitted.

"Q. What – you mentioned that it conveys the right values to customers. What are the valuation that you're talking about?

"A. Sort of – we believe the word sort of – Sage implies wisdom, experience, and I guess confidence.

"Q. Are you aware of whether or not anyone else on behalf of the Sage Group asked legal counsel for a recommendation about the adoption of Sage?

"A. Yeah. I'm aware that our company secretariat and admin department would have taken that up and taken the appropriate advice and done due diligence.

"Q. Was this December 1996 board meeting where the Sage Group finalized the decision to use Sage as the international brand?

"A. This is a specific meeting in order to do that, but I think this meeting certainly went through what the objectives of the international brand were. What I'm really thinking is I don't know whether we approved it beforehand or whether it was specific to this meeting.

"Q. But whether it was at the meeting or beforehand by this

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time –

"A. By this time we were preparing to go out with our

brand.
"Q. Okay. At this point are you aware of any concerns about whether the Sage Group could utilize Sage in the United States?
"A. I believe that the way the board would have reviewed it, we would have assessed at that time whether there were any risk or potential conflicts. And if there were, we would have dealt with them appropriately.
"For example, I do recall there was a conflict in France with Sagem, and that was brought to the attention of the board and that matter was dealt with by discussion with Sagem, who agreed, that they weren't in conflict and we could use it in their market. So I recall that specifically.
"Q. Do you recall any concerns about whether Sage could be utilized in the United States?
"A. No.
"Q. And that would be the Sage Group's general practice, that to the extent there was a conflict or a potential conflict, that you would contact the company that was using the name that potentially was a conflict, correct?
"A. Yeah. We would always want to try and work it out. If there was a name being used in the market, we would want to work it out, was there a conflict. And if there was

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1 response was we still don't have any proof, so why are we wasting time on this? But we did continue to work out the details of the agreement, I guess, so that if indeed they did show it to us, we would have the agreement.
Q. Were there delays in the registration of the Sage Information Systems mark caused by the negotiations about this agreement?

A. Absolutely. Because – well, I don't remember the exact number. I think there were eight or nine extension periods that we granted them. I mean, each time we did that, we just basically were delaying the issuance of our own mark.
Q. And why did you agree to eight or nine delays that put off the issuance of your mark?
A. I don't know. Maybe I was too nice. Part of it was, I guess in the back of my mind, you know, especially early on, I was maybe afraid of the fact that they did have prior rights. And if they – you know, if the next week brought me the proof, you know, I didn't want to particularly burn any bridges behind me. But then after – I'm going to say maybe the fifth or sixth extension, it was beginning to bother me, because I was taking – I guess mentally I was taking the position that if they really had these, it's really not a big deal to show it to us. I mean, what's the secret.

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filed with the U.S. Patent and Trademark office in which the Sage Group is saying it intends to use the mark in the United States in the future. When you got that document was there anything unusual about it?
MR. KANTNER: Objection, your Honor.
THE COURT: All right. Counsel, rephrase your question. The introduction is not part of the question. Rephrase your question, please.
BY MR. MacPETE:
Q. When you reviewed that document did you think there was anything unusual about it?
A. Well, if you look at the chronology of things, here's an affidavit being signed in early February of 1997 saying that they plan on using the mark in the future. And meanwhile we had been through over a year's waiting period where they kept telling us they are going to show us their use, they are going to show us their use.

They didn't show us their use. And then they have got their application that on its face says that they are basically not using it and that they plan to use it in the future.

Q. After the answer was filed was there an opposition proceeding?

A. Well, I'm not sure what you mean by opposition

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proceeding, but – I mean, they didn't – we requested to the Patent and Trademark Office eventually, because they did not respond to several requests for a response so –

MR. KANTNER: Objection, your Honor, foundation.

THE COURT: That's overruled.

You may answer.

A. Okay.

THE COURT: You may answer. You may continue your answer.

A. Okay. We contacted the Patent and Trademark Office requesting their response, and none was received. And I think at the end the – we were told that they were not going to respond so –

MR. KANTNER: Object as to what he was told. It's hearsay, your Honor.

THE COURT: Sustained. Sustained as to that.

BY MR. MacPETE:

Q. Did QTI ever participate in any kind of a proceeding in which the Sage Group PLC and its subsidiaries put on any evidence of prior use in the United States?

A. No, we didn't.

Q. Ultimately, did the mark that you had applied for registration, Sage Information Systems, issue from the Patent and Trademark Office?

A. Yes, it finally did.

0044

A. The – it mentions their – that they're going to rebrand the products of State of the Art and incorporate the Sage name on each of those products. And then there are several paragraphs that go through in a little more detail of how that change is going to take place with each of the particular brands – each of the particular products.

Q. So directing your attention to the first bullet point, was Business Works one of the products that was going to be rebranded as Sage Business Works?

A. Yes.

Q. Was Mas90 to be rebranded as Sage Mas90?

A. Yes, it was.

Q. And was Acuity to be rebranded as Sage Acuity?

A. Yes, it was.

Q. And were they also going to rebrand the Sage U.S. Products?

A. Yes.

Q. Sage TimeSlips, TimeSheets, Carpe Diem?

A. Yes, they were.

Q. Is there also a big marketing brochure that was attached to the letter?

A. Yes. There was – oh, I'm going to say it was maybe somewhere half to an inch thick with examples of how the mark was to be used, the size of the mark, where it was to be

0051

then there are also people that are allowed into the show that are, I guess, what you would call industry people. In other words, the people that make and buy the various products used in the industry.

Q. Is this –

A. But it's not open to the general public.

Q. What was the next instance of actual confusion that you personally participated in?

A. In March of the year 2000 back in Las Vegas, again at the ASI show. I was in the show office and I was talking to Norman Cohn, Stephanie Cohn. There was a gentlemen named Dennis Burnham was with me at the time. And after introductions Norman came up and – that they were about to launch their ASI Transact and that he understood that we had a new accounting software package called Business Works and were we going to launch it at that show.
Q. What did you tell him?
A. I just sort of smiled at him, you know, and told him we were not planning to and just sort of dropped it. I did ask him, you know, where he had heard that we were going to do it, and he told me that he heard it from his daughter.
MR. KANTNER: Objection.
THE COURT: Overruled at this point. It's been answered.

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BY MR. MacPETE:
Q. What was the next instance of actual confusion that you personally participated in?
A. At that same show in Las Vegas a couple days later I was talking to a customer, and one of the other people that worked for us, Chris Sumpter, was talking to someone else. And I overheard the person he was talking to ask Chris whether we were the same Sage that had accounting software. Chris responded – I can't say that.
THE COURT: He's testifies about that. Just testify about matters that you directly were involved in.
BY MR. MacPETE:
Q. What did you do after you overheard the individual ask if you were the same Sage?
A. I turned around and noticed the man was walking off and asked Chris to see if he could get his business

card from him – or had he, and if he didn't, get it from him.
Q. And are you aware of whether he was able to get the business card?
A. I believe he lost sight of the man, and was not able to get it.
Q. What was the next instance of actual confusion that you personally participated in?
A. In June of 2000 at the Speciality Advertising Association Show in – of New York, which is the northeastern show that's

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held in Atlantic City, New Jersey. And I was talking to Art and Barbara Bustard and Barbara Bustard mentioned to me something about Mas90 and that she had gotten something in the mail from Sage Software last week and when she saw the Sage name and she thought that that was us. She also commented that the logos looked almost identical to her.
Q. What did you tell her after she told you that?
A. I told her that there was no affiliation between the companies. I asked her if she would forward – if she still had that mailing piece to forward it to me and to just keep her eye out if she got other things from them.
Q. And the people that you mentioned, Art and Barbara Bustard, are those the people that testified here earlier this week?
A. Yes, they are.
Q. What was the next instance of actual confusion you
17 personally participated in?
18 A. It was at that same show in – at the SAAGNY show in Atlantic City. It was the following day. A gentlemen named Rusty Gallagher of Albondy Clothing Company came into the booth and he was initially talking to Bryan Pritchard and – who turned him over to

me. Mr. Gallagher asked me if we were the same Sage that made DacEasy.
Q. What did you tell him?
A. I told him the same thing that Bryan had told him, that

0105
Q. And what were the revenue in 1996?
A. Somewhat over 400,000. I think it was like 425, some number like that.
Q. So did your revenues double from '95 to '96?
A. Yes, a little bit more than doubled.
Q. Now, as of this time in 1995 do you have any information that the Sage Group PLC or any of its subsidiaries were using your name without your permission in the U.S.?
A. We had – no. To our knowledge, they were not using it.
Q. And what about in 1996?
A. The same applies in 1996. They were not using it.
Q. Then let's take a look at 1997. In 1997 what did your revenue number like?
A. Just a little bit over $600,000.
Q. And that was also another significant increase, right, but it wasn't doubling, was it?
A. No, it went up roughly 50 percent.
Q. Did the Sage Group PLC and its subsidiary start using your name without your permission in 1997 in the U.S?
A. In late '97.
Q. Then what were the revenues in 1998?
A. I'm going to guess they were probably around $900,000, just looking at the graph.
Q. And that was an increase over '97, right?
A. Correct.

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Q. But it wasn't doubled?

A. No, it was probably about – you know, a third, 33 percent increase.

Q. In 1998, did the defendants Sage Software Incorporated start using your mark in connection with its products and services?

A. Yeah. In 1998 is when the real roll out began on the product and all of the rebranding.

Q. Was it roughly about July of – when in 1998 did Sage Software start using your name without your permission?

A. It was basically mid year. It was after they started the change of name on all the products when they – as a result of the acquisition of Soda Software, which they changed the name to Sage Software and rebranded products, which took place in July.

Q. And when we're talking about Sage Software's product, which products are we talking about?

A. Sage Software, you're talking about Mas90, Business Works and Acuity at that point, but now the DacEasy has been moved over to that division so I'm not sure what –

Q. Are they referring to all those products as Sage Mas90, Sage Business Works, Sage Acuity?

A. That's what I'm referring to as the rebranding of the products, yes.

Q. What were the revenues that – in 1999?

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A. Just the small increase over 1998.

Q. And in 1999 were both defendants using your name without your permission?

A. Yes.

Q. Throughout the United States?

A. Correct.

Q. On all their products?

A. Yeah. I mean, by that time the roll out was in effect. I mean, their products – the names have been changed and our name had been put on each of their products.
Q. And do you have financial proof for the year 2000 yet from your accountant?
A. Well, not final, final, but almost final.
Q. What was the revenue number in 2000?
A. Just a little over a million dollars.
Q. So did it go up a little bit?
A. It went up from, you know, from the 900,000 to a little over a million. So let's say 10 or 12 percent, something like that.
Q. What's happened to the amount of your growth over the period from 1995 to 2000?
A. Well, if you charted that you would see that our – each year – I mean, in the beginning our growth was at a rather phenomenal rate, and then as the defendants started using our name on their products, our growth slacked off and then the

0100
MR. KANTNER:
Q. Please introduce yourself to the jury.
A. My name is David Butler. I'm the president of Sage Software Inc.
Q. Mr. Butler, where do you live?
A. I live in Laguna Beach in southern California.
Q. What is your educational background?
A. I have a Bachelor's degree in finance from Cal State University in Fullerton in 1978.
Q. Would you give the jury just a brief summary of your professional background?
A. What I graduated from college I started immediately with Burroughs Corporation, and I have spent the 22 years of my career selling accounting software to small and mid size companies.

Q. At some point did you join a company called State of the Art?
A. Yes, I did. In April of 1996 I joined State of the Art in Irvine, California.
Q. What was your position with that company?
A. I was originally the vice president of sales and marketing. And then my role changed. Over time I became the chief operating officer. And then became the president and chief operating over the last five years.
Q. Was the name of State of the Art changed at some point?

0101
A. Yes, it was. We were a publicly-traded company at State of the Art listed on the NASDAQ Exchange here in the states.
In January of 1998 we agreed to sell our business to Sage Group out of the UK. In March of that year we closed the transaction. At that point we became Sage.
Q. Mr. Butler, would you – I want you to tell the jury about the products that you sell out at Sage Software. Why don't we begin, if you would, just listing those products for us?
A. Sure, I'll be glad to.
Q. Identify the products just by name first.
A. There are four products lines: DacEasy; Business Works; Mas90, which is M-a-s90; and Sage Enterprise Suite.
Q. In general terms, what kind of software programs are these?
A. All four products are accounting software products or considered to be back office products. So companies like Clear Channel, the radio station operating company here in Texas in San Antonio, uses our products to keep track of their books for all their different operations.

Q. Before we get into the particulars, is there some basis for you to assist the jury in distinguishing these programs, for example, by the size of customer or otherwise?
A. Yes. It's probably easiest by the size of company that

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Had the Sage Group acquired Sage Software at about this time?
A. Yes. From my recollection, the transaction closed in March of 1998.
Q. And was the decision that you described a moment ago to use Sage as an international brand name in the reseller channel, was that being applied to Sage Software?
A. Yes. We felt it was appropriate given that the State of the Art product portfolio comprised products that were sold exclusively through the value added reseller channel. So we felt that was appropriate.
Q. Now, in this letter you write, "We're taking advantage of the rebranding exercise to extend the Sage brand to certain of our products in Dallas, including Timeslips to be rebranded Sage TimeSlips, Timesheet to be rebranded Sage Timesheet, and Carpe Diem to be rebranded Sage Carpe Diem." Timeslips and is time and fee billing product, TimeSheet and Carpe Diem are time collection products. Was that in fact done and maintained?
A. In the event we decided not to extend the Sage brand to those products at that time debates on whether or not we would extend the Sage brand to these products carried on throughout this period, of all of the period we have been talking about, their particular issues with each of the products that I mentioned here, Timeslips does sell through the value added

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reseller channel, but it's a minimal amount of sales, from my recollection, 10 percent or something of that nature. Most of the sales to be honest are direct and the packaging is very much of a retail nature and style. And to force the Timeslips brand with its recognition and market leadership into the Sage framework might actually have damaged our position. So that was what we ultimately decided with Timeslips and we had a lot of very good debating internally as to whether we should or should not. TimeSheet similarly was a relatively well-known brand in the market, but it was also sold direct, and we felt just didn't fit the Sage framework for value added resellers. Carpe Diem very similarly, Carpe Diem had very strong equity in the marketplace and we felt that too was something that was being sold direct and ultimately, would not be appropriate to have Sage brand with it. My understanding is the Sage brand has been introduced to these product lines, but as a very low level of endorsement like with the name on the back of the box in small type.
Q. Would you illustrate your testimony with this box, Mr. Stobart?
A. This is TimeSheet professional which has quite a retail style pack. Using this device of the stop clock, and obviously the emphasis is entirely on TimeSheet and the

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apparently there is more after that.
Q. Thank you.
Have the products that your company offers changed over time?
A. Yes, quite a bit.

Q. Have you also had occasion to watch the development of products and services that are offered by the defendants?
A. Yes.
Q. Have those changed over time?
A. Yes, they have.
Q. How have your products changed over time. In other words, what kind of movement how would you generally describe your product expansion or development?
A. Well, we obviously started in the – just doing the research software for the promotional products industry and when we first started we weren't doing anything on the Web. Our first service was before the Internet and it used a dial-up connection, but there was any kind of – there wasn't really a Web at that point. There was the Internet. And over the years we have expanded into more and more different types of business software. And now we obviously have the same research product that we started with, which is available on the Internet and on CD ROM. We have the catalog library research tool, the printed books, and all of our e-commerce and Web Store applications,

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and our latest product, which is the company store. We have also developed a hand-held, you know, to run on a Palm Pilot version of Sage, which is basically a contact management feature which allows people to look up suppliers and distributors in the industry when they have a hand-held device. So over time as these new technologies come out, we expand our services and there is no reason that we wouldn't continue to do that as new markets appear.
Q. Were you here during the testimony of Mr. Butler, the president of Sage Software?
A. Yes, I was.

Q. Did he hear him talk about the expansion of their products?
A. Yes.
Q. What products did you hear that he testified about that overlap or are competitive with your products?
A. Well, the really two sets. Obviously, the accounting software, we're about to come out with our accounting package, and that's obviously a direct competitor to the defendants' accounting packages. The other area where there is really a head-to-head competition, is in the e-commerce and Web store area. We have had a product called Sage Web Store for quite a while now and apparently the defendants now have a product that they also

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MR. KANTNER: Objection, your Honor, this is limine and pretrial matters. May we approach a second?
(Discussion at the bench off the record.)
Back from the bench.)
THE COURT: You may proceed, Counsel.
BY MR. MacPETE:
Q. Had you finished, Mr. Natinsky?
A. No. But I don't remember exactly where I left off. Let me start over again, I guess. In May 1998 when we filed the lawsuit, we – they had just started using the name and – on the Dallas – on the Timeslips and the DacEasy products, and they hadn't changed the name at all on the California accounting products. So at the beginning we wanted them to stop using the name. The damages number at that point would have been near zero. They had obviously – you know, there is a little bit of time gap in there, but it was basically zero. And they -- you know, we told them before we filed the lawsuit we didn't want them to use the name and they just disregarded us. And we figured that if we filed this

lawsuit maybe they would pay attention and see they should stop using the name now because we really didn't want them to use the name. And they didn't. They – and not only did they just do what they, you know, had kind of done at the point where we

0247

correct?

A. No, I don't think on our newest ones. Some of them did. I think our 1999 brochure did.

Q. Let's look at Plaintiff's Exhibit 22. This is one of your distributor brochures, isn't it, Mr. Natinsky?

A. Right. This is the 1999 one that I was talking where you can see the arrow in the bottom left.

Q. Yes, sir. And this particular one had that – I know it's in black and white and the Xeroxing is not the best, but it has caps, pens and the like, correct?

A. That's correct.

Q. This picture is of promotional products, correct?

A. Correct. This year we did have that – the 2000 and 2001 did not have that.

Q. You have been sitting in this courtroom. Did you see any of the defendants' product boxes, brochures, mailers, which had pictures of caps, hats, pens and other promotional products on them, sir?

A. No.

Q. You testified there have been 47 occasions where somebody has asked you if you were the same company that made the defendants' product or were the same company that made it or sent you an e-mail about the defendants, is that fair, 47 times?

A. 47 instances of confusion, they have all been different

0248

things.

Q. The first occurred in January of '98?

A. Correct.
Q. Over three years ago?
A. Correct.
Q. So it's happening about once a month, correct?
A. Well, it's getting worse as it goes. There were fewer at the beginning and more recently there have been more and more.
Q. Over the three years, three years, nearly 40 months, you're saying is 47, correct?
A. That we have heard about. It's the ones that we haven't heard about that we're worried about.
Q. Mr. Natinsky, would you agree with the statement that approximately 98 percent of all distributors from the promotional products industry have revenues, annual revenues of $400,000 a year or less?
A. Yeah, that number was accurate at one time. I think it's dated now. It's a couple of years sold, I think.
Q. Do you remembering signing a sworn affidavit in this case to that effect, did you not, sir?
A. Yes.
MR. KANTNER: Nothing further, Your Honor.
REDIRECT EXAMINATION
BY MR. MacPETE:
Q. Just a moment ago, Mr. Natinsky, that you're worried

0249

about the ones that you haven't heard about. Do you know how many people are out there like Vi Smith who are upset with your company because you have stopped supporting the DacEasy product?
A. No. We have no idea how many people out there think that we are the defendants and –
Q. Do you know how many people are out there that are throwing away your promotional material because they are being blast faxed by Sage Software?
MR. KANTNER: Objection, your Honor, there no such

testimony.
THE COURT: Overruled.
A. No, we do not.
BY MR. MacPETE:
Q. I think there was some testimony about the first time that Sage Software used Sage in connection with accounting. Do you remember that?
A. Yes.
Q. The first time that they used it on accounting in the United States was what year?
A. '98.
Q. How many years was that after you told them that you were going to use – that you were going to come out with an accounting package?
A. Approximately three.

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Q. After you told them that you are going to come out with accounting?
A. We told them in 1995 approximately.
Q. Mr. Kantner also asked you about the E-Business module began in a module of Mas90. Do you remember that?
A. Yes, I do.
Q. Do you have a customer that uses the Mas90 accounting program, but also uses your competing Web Store product?
A. Yes, there is one that I know of offhand, Matt Bertrum who uses Mas90 to run his business and also uses our Web Express and Web Store modules on his Web site.
Q. Do you have any idea why he chose your product over the defendants E-Business module for Mas90?
A. I presume he think it's a better product. Our product offers a lot of capabilities and features that other products don't have. And obviously that's why a lot of people buy our products.

Q. Mr. Kantner also asked you about other companies that have been using Sage. And I think he mentioned that there was at least one company that used Sage prior to your use of Sage starting in 1992. Would it be natural for your company to expand into providing dining services, cooking food at Universities and that sort of thing?

0247
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0249
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Would it be natural for your company to expand into providing dining services, cooking food at Universities and that sort of thing?

Vol 9 - 30
MR. BROWNLEE: Yes.
THE COURT: Pass the verdict to Mr. Ervoes, please. Ladies and gentlemen, before I read the verdict, thank you very much for accommodating my schedule. I regret any inconvenience to you, but obviously the circumstances were unavoidable. The Court will now read the jury's answers to the court's questions beginning at page 13 of the Court's charge.

Question number 1: Has QTI proven that the defendants' had used in commerce the word Sage in connection with the sale, offering for sale, distribution, or advertising of any goods or services in a manner which is likely to cause confusion, to cause mistake, or to deceive, thereby infringing upon QTI's registered trademarks, Sage or Sage Information Systems.

Answer yes or no.
Sage U.S. Holdings Inc., yes.
Sage Software Inc., yes.

Question number 2: Has QTI proven that defendants have used in commerce the word Sage in connection with the sale, offering for sale, distribution, or

advertising of any goods or services which is likely to cause confusion, to cause mistake, or to deceive, thereby infringing upon a prior use by QTI of an unregistered trademark containing the word Sage.

Answer yes or no.

Vol. 9 -31
Sage U.S. Holdings, no.
Sage Software, yes.

Question number 3: Has QTI proven that in connection with the use of the name Sage in the United States the defendants intended to cause confusion, to cause mistake, or to deceive.

Sage U.S. Holdings Inc., no.
Sage Software, no.

So the jury has not answered question number 4 pursuant to the Court's charge to the jury. I will now, ladies and gentlemen, ask each and every one of you if the verdict I have read is your verdict.

Mr. Brownlee?

MR. BROWNLEE: Yes.
THE COURT: Mr. Pumphrey.
MR. PUMPHREY: Yes.
THE COURT: Ms. Starosta.
MS. STAROSTA: Yes.
THE COURT: Mr. Costello.
MR. CASTELLO: Yes.
THE COURT: Mr. Fruin.
MR. FRUIN: Yes.
THE COURT: Mr. Hailey?
MR. HAILEY: Yes.

THE COURT: Ms. Kauffmann?